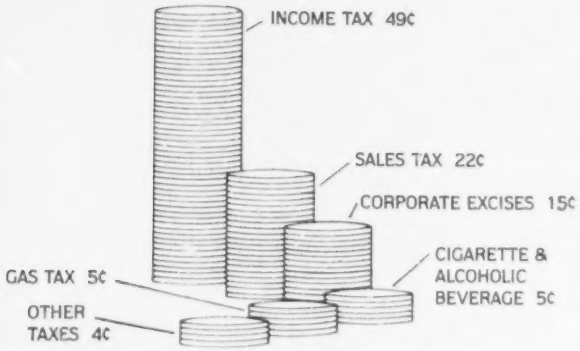
# Your State Tax Dollar

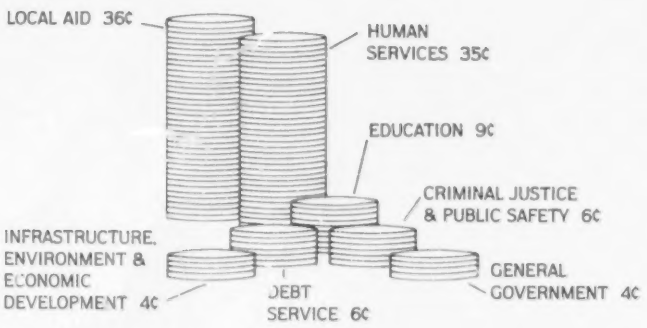
## Where the money comes from...




* Source: Comptroller's Division, FY1984

Your individual income tax payments provide about half of all State tax revenues. The total of all those taxes this year - in excess of $6 billion - will provide roughly 75% of all the money needed to finance all the programs and services provided by your state government.

## What it's all for...




* Source: State Budget Bureau, FY1985

Your tax dollars provide a wide range of public services throughout the Commonwealth. About half go toward services for people in need, public safety and higher education. The largest single share of every budget dollar is for Local Aid to support schools, fire and police protection and other public services in your own community.

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# 1983 - 1984

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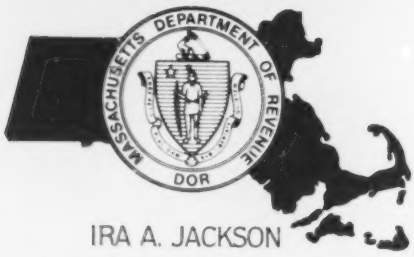
Commonwealth of Massachusetts

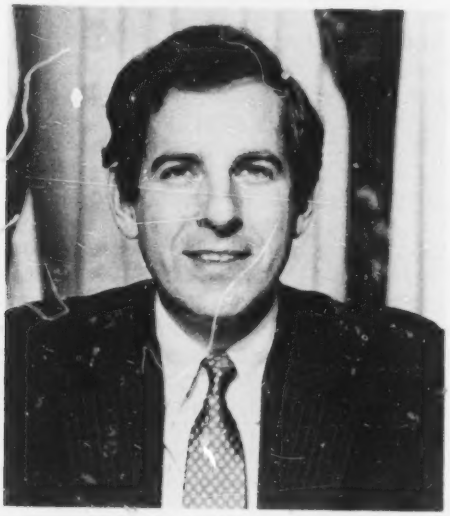
# DEPARTMENT OF REVENUE




IRA A. JACKSON
Commissioner

# ANNUAL REPORT

# LETTER FROM THE COMMISSIONER



IRA A. JACKSON
Commissioner

The Honorable Michael S. Dukakis
Governor of the Commonwealth
and The Honorable Members of the
General Court of Massachusetts

I submit this 1983-1984 Annual Report of the Department of Revenue with a mixture of sincere appreciation and deep pride.

My appreciation goes to you as the Chief Executive and members of the Legislative branch of State government for providing us with important new legal tools and added resources. They were essential for the Department to meet the high performance goals that we set for ourselves at the start of the year.

My pride is in the performance of the 2000 employees of the Department who gave unstintingly of themselves day after day, week after week to meet and exceed those goals.

Fiscal 1984 was a record year in every area of our operation, and the Department's accomplishments have brought the people working here some of the recognition they have long deserved but have too often been denied.

The ultimate measurement of a Revenue Department is the total of its tax collections. We started out Fiscal 1984 with the task of raising 9.6%—$475.8 million—more in revenue than the previous year. That was to be achieved with only one small increase in the tax base — a $25 million boost in the cigarette tax. Some critics said it couldn't be done. They were wrong, and in the end we far exceeded our own expectations. Revenues for the year totaled $5.611 billion, up a record 13.4% or $664.3 million over 1983.

We were aided in that achievement by a booming State economy, but our revenues ran far ahead of what could be expected as a result of the economy alone. Our Compliance Bureau collections from delinquents reached $167.8 million — 30% above a year ago, 122% above 1982. Some $67.1 million of that money came from our highly successful Amnesty program, which you authorized as part of the Revenue Enforcement and Protection (REAP) program. It has become a model for many other states across the country. (continued)

There is a third even more encouraging ingredient in the 1984 revenue picture beyond the economy and our collection efforts. That is the surge in voluntary compliance — as much as $150 to $200 million, nearly 25 to 30% of that overall revenue increase. More and more people have come to realize that we are both deadly serious and increasingly effective in collecting from delinquents and detecting evaders. In addition, the consequences for those now caught cheating are all the more severe.

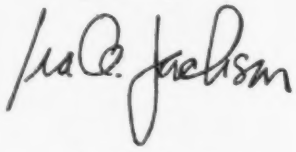
It is our hope that this voluntary compliance with our tax laws will grow, that the need to pursue delinquents will in time level off and actually decline. But the need is clear for a far stronger audit presence, especially in the business sector. Our increasing investment in added auditors is still paying off at a ratio of 10 to 1.

My goal from the day I assumed this office in January, 1983, was honest, fair and firm administration of the State's tax laws. As this is written nearly two years later I know we have made major progress towards those goals. In many key areas an excellent roadmap for change and improvement has been provided in the recommendations of the Governor's Advisory Task Force on the Revenue Department chaired by Professor Paul R. McDaniel of Boston College Law School. We are following that blueprint, as you will see in more detail in the text of this report. We have also tried a number of innovations of our own. We welcome constructive criticism and specific suggestions for additional change from both public and private sources.

Hand in hand with our commitment to internal improvement and better enforcement of tax laws has been an emphasis on service — both to individual taxpayers and to the 351 cities and towns which we serve as auditor, regulator and advisor. Our goals are to help communities provide better services to their residents at lower cost and to treat individual taxpayers as though they were customers, not victims of their State government. In that connection, through our successes in halting delinquency and evasion, we protect the vast majority of honest, prompt-paying taxpayers from being victimized by those trying to avoid contributing their fair share to the cost of operating State government and its many services.

We still have a lot of work to do to accomplish our long-range goals. But as summarized here and outlined in more detail in the full report, 1984 saw major progress, a surge of creative energy, and very encouraging results. With your continued support, we are confident that Fiscal 1985 will see further accomplishments in our ongoing effort to make this a model State agency, and the finest revenue department in the country.

Sincerely,



Ira A. Jackson
Commissioner

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# FY1984 HIGHLIGHTS

- The Legislature enacted the Governor's Revenue Enforcement and Protection Program — a sweeping omnibus bill that dramatically increased DOR enforcement authority, authorized the Amnesty program, provided for license revocation and contract non-renewal for tax evaders and signalled a new era of tax administration in Massachusetts and other states throughout the nation.

- Tax collections reached $5.611 billion, up a record 13.4% or $665 million, over Fiscal 1983.

- Vigorous, visible and successful enforcement efforts helped produce an estimated $165 million in increased voluntary compliance, 25% of the increase in revenues for the year.

- The Amnesty program captured the imagination and attention of tens of thousands of delinquents and evaders, elicited more than 100,000 inquiries and 50,000 formal applications, and raised $67.1 million in Fiscal 1984.

- Total collections from delinquent taxpayers brought in $167.8 million — 30% above a year ago, 122% over Fiscal 1982.

- Referrals of criminal tax evasion cases to the Attorney General for prosecution rose 59% over 1983, and the first jail sentence in history was handed out.

- The combined State and local revenue burden in Massachusetts declined, to an estimated 8.4% below the national average.

- A new shorter, simpler income tax Form ABC was introduced and used by 2.2 million taxpayers.

- Taxpayer outreach dramatically expanded across the State, with new classroom programs for high school students and the use of a taxmobile.

- Over 1.7 million refund checks were mailed by the end of June— seven weeks earlier than ever before to all taxpayers who filed correctly by the April deadline.

- The Problem Resolution Office staff was increased to 25 people and provided service to 11,000 taxpayers.

- Electronic data processing improvements brought DOR its first 30 micro computers, with 70 more on the way.

- The first Tax Expenditure Budget was produced by a new bureau of tax policy analysis.

- Major progress was made in hiring minority group members and women.

- DOR employees had an absenteeism rate 14.3% below the State average and led the State in giving to the United Way and the Massachusetts State Employees Blood Program.

- Local Services Division got out State aid cherry sheets on earliest date in a decade. Total local aid for the year rose by $219.7 million or 10.6%.

- Work started on DOR's Master Plan to provide technical assistance to cities and towns.

- Major structural and management improvements were carried out in line with recommendations of the McDaniel Commission Report.

## THE MASSACHUSETTS DEPARTMENT OF REVENUE

This past year people began to pay new notice to the Massachusetts Department of Revenue (DOR) — and for good reason. We accelerated a major crackdown on tax delinquents and tax cheats. We improved the character and quality of the service offered to our taxpaying customers. We began the massive task of modernizing and automating our operations, and we installed systems to ensure the integrity of tax administration.

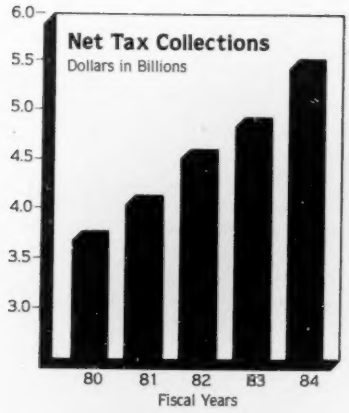
When we do our job well, everybody benefits — everybody, that is, except people who think they can shirk their fair share of State taxes. Those people can no longer feel confident that they can evade us. They're worrying about DOR because they see more and more people having property seized or being brought to court on criminal charges of tax evasion.

Now that more former delinquents and evaders are paying their taxes, honest taxpayers no longer have to subsidize them. By actively pursuing tax criminals and continuing to modernize and upgrade our operations, we have helped to stabilize our State tax rates and to lower the State revenue burden.

Fiscal 1984 was a good year for the Department and a good year for the honest citizens of the Commonwealth. The simplest measure of our performance, total tax revenues collected, tells part of the story: DOR collected a record $5.6 billion dollars in Fiscal 1984, up 13.4% over last year.

The tax evasion crackdown is only part of our story. We've also improved the services we offer our customers — the honest, prompt-paying taxpayers of Massachusetts. We are reaching out in new ways to help cities and towns deal with their fiscal problems. Beneath all these changes lies our commitment to making the Department of Revenue a model State agency—well managed, efficient, productive and one in which taxpayers can be confident that their payments are being carefully and honestly handled.

We trust Fiscal 1985 will see as much improvement as the past year because we aspire to the very best, and there is still much to do. With the continued support of the Governor, the Legislature, the media and the public, we will keep striving to attain our goal of fair, firm and honest tax administration for the people of Massachusetts.




## TAX ENFORCEMENT AND COMPLIANCE

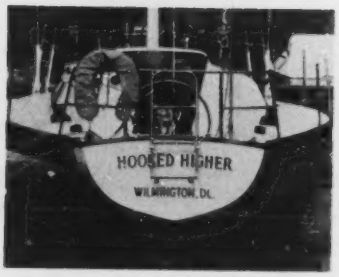
DOR'S biggest and most publicized success in Fiscal 1984 was the three month tax Amnesty Program, which ran from mid-October through mid-January. That program waived penalty charges and criminal prosecution for tax delinquents and evaders who paid in full both their tax liabilities and all the interest owed over the years. By the end of the Amnesty eligibility period 53,000 individuals and corporations had taken advantage of the program. By the end of Fiscal 1984 Amnesty payments had reached $67.1 million. Final processing of the cases has continued to push the total higher, and we now expect the complete total to reach $80 million.

Why was Amnesty such a success? The reasons go far beyond the law itself—a simple three-month waiver of penalty charges—or the administrative pledge not to pursue criminal charges against those confessing past violations of the law.

We succeeded in large part because the right climate was established beforehand. Long before Amnesty was declared we clearly demonstrated that we meant business about collecting old taxes, that we were deadly serious about searching for tax evaders and that we were increasingly likely to find them.

### Highlighting the Tax Gap Problem

The first step was to address the State's compliance problems, which were of staggering proportions. In the spring of 1983 the Department publicized the fact that over $300 million in delinquent State taxes had been allowed to accumulate over the years.




On top of that, it was estimated that another $640 million in tax evasion occurred every year. These amounts, the equivalent of 19% of the money collected in 1983, had accrued because of insufficient resources, antiquated systems and predictable old approaches to changing times and new behavior. Too many Massachusetts citizens had been allowed to shirk tax responsibilities. For too long, the Department had been losing ground rather than stemming the tide or reversing the trend of invidious tax evasion.

Bringing both this "tax compliance gap" and our plans for dealing with it to the public's attention was a priority. We began by getting maximum media coverage for the publishing of lists of major tax delinquents. Next, a series of property seizures was launched and highly publicized. Criminal prosecutions against the most flagrant evaders were increased and made public as fully as possible, within the limits of the confidentiality of tax information.

When the final tally on Fiscal 1983 showed a 71% increase in collections of delinquent bills over the prior fiscal year, we knew our efforts were beginning to pay off. Tax delinquents and evaders began to respect the new DOR.

## REAP: Revenue Enforcement and Protection Act

On the first day of Fiscal 1984 our efforts were strengthened by passage of what has become known as REAP—the Governor's Revenue Enforcement and Protection Act. By passing this important enforcement package—Chapter 233 of the Acts of 1983—the Legislature sent out a tough new message to the taxpayers of Massachusetts.

REAP raised the stakes. Tax evasion was upgraded to a felony. As such it became punishable by prison terms of up to five years and fines up to $100,000 for individuals and $500,000 for corporations.

The law also gave the Department the right to use private bill collectors to pursue the older, tougher delinquency cases—a pragmatic and business-like practice used by the Federal government and other states. As that power is put to use, the State will collect revenues that have proven nearly impossible to collect in the past. It will also begin the long process of reducing the massive size of collection inventories and free Revenue employees to concentrate on current, larger cases.

REAP included one even stronger power— the right to have State and local professional and business licenses terminated for individuals and firms ignoring their State tax obligations. A similar provision in REAP enables us to prevent renewal of contracts for suppliers of goods and services to State and local government. In Fiscal 1984 DOR began to use this new authority by initiating license revocation proceedings against 93 delinquent professionals. The accounts of hundreds of delinquent contractors doing business with State and local government were also levied.

Much of Fiscal 1984 was spent getting these projects into place. A tremendous amount of work went into the task of compiling computer lists of over a million licensees and 225,000 vendors that could be checked against our tax records. By year's end 79 of the 93 professionals in the initial license revocation project had settled their accounts. The remaining cases were forwarded to various licensing authorities for action. A total of $872,238 had been collected since May of 1983 from the licensee and vendor project.

The licenses and vendor program has also increased voluntary compliance. At the beginning of Fiscal 1984, when lists of vendors doing business with the Commonwealth were checked, 8.5% of them were found to be delinquent or not even filing. Just one year later, after initiating our new authority, the lists were checked again. By then only 1.8% were not complying. Non-compliance had been dramatically reduced. The computer matches helped produce a 400% increase in compliance, and some of the money collected was paid voluntarily, without

any need for DOR intervention. Although we cannot precisely segregate the amount, we know it is there.

Implementation of the new power to use private collection services took time because of the complex job of developing contract specifications, accepting bids and awarding contracts. However, by the end of Fiscal 1984 the first 10,000 delinquency cases, with a face value of $10.6 million, had been assigned to the two private collection agencies chosen—Financial Collection Agencies, Inc., and Corliss Credit Services, Inc.

### Seizure Collections Increased 277%

In the spring, the Department's seizure drive expanded from restaurants and retail establishments to Massachusetts harbors and then on to airports. Agents scoured the coastline for luxury yachts which were berthed here but upon which the sales or use tax had not been paid. In September, the enforcement drive moved to airports across the State to find both private and corporate planes on which the sales or use tax was unpaid. By the end of the year $2.8 million in unpaid taxes had been collected from 2500 boat owners and another $1.5 million from some 500 aircraft owners.

YOU'RE RIGHT... MAYBE WE SHOULD HAVE PICKED A NAME LIKE "SUZIE Q" OR "ANNA BELLE"
HARBOR POLICE
SCOFFLAW II
GRANLUND
NEWS ITEM: YACHTS WILL BE SEIZED UNLESS MASS. TAXES PAID.

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During Fiscal 1984, 91 seizure operations were completed compared with 34 the previous year. A total of $4.5 million was collected, a 277% increase from 1983. More importantly, these heavily-publicized seizures signified a new era of tax law enforcement in Massachusetts.

The Department took one other innovative step to increase taxpayer compliance. That was a professionally produced TV public service announcement designed to convey a tough enforcement message with a bit of humor. The 30-second "spot," created pro bono by the nationally known advertising firm of Hill, Holliday, Connors and Cosmopulos, Inc., got wide coverage during the final weeks of the tax filing season. We know this, too, contributed to the substantial increase in voluntary compliance.

Taxpayers can expect to see that spot, and others like it, again and again in the future. DOR will continue to deliver its basic message: paying State taxes is not a choice but an obligation. Willful failure to fulfill that duty is a crime, and from here on more of the offenders themselves will be counted among the victims.

### The Tax Amnesty Program

The advent of the new era in enforcement fit well with the Amnesty concept—a last chance for people to settle their tax obligations with no questions, recriminations or penalties. Governor Dukakis, members of the Legislature and Commissioner Jackson all felt that this was needed before the harsh new REAP penalties went into effect. With the Department's growing success in enforcement, people quickly accepted the Amnesty offer.

For Amnesty to work the message had to be spread far and wide. That was done with every possible vehicle: news conferences, press releases, interviews, radio talk shows, broadcast public service announcements, billboards, mass transit posters and bus cards. Toward the end of the Amnesty period there were even paid advertisements in **The Wall Street Journal**

and other newspapers in surrounding states to get the message to non-residents.

The campaign continued to the end of January 17. On the final day some 10,700 people lined up at the Department's Boston headquarters to settle their tax obligations. The last of them didn't leave DOR until early the following morning. The final group of tired Revenue employees, justifiably proud of their performance, followed close behind.

The program could not have succeeded without a major effort by the entire DOR staff. By the deadline, Revenue employees had put in approximately 78,000 hours of overtime on Amnesty, with some people working as much as 700 extra hours.

Amnesty paid off both for those who took advantage of it and for the tax-paying public. It brought forward not only known delinquents but others who had been non-filers or tax evaders. In the future, those people will remain on the tax rolls and pay their full tax obligations.

Amnesty brought other intangible benefits with it as well. Its well publicized success fostered a new sense of pride in the Department. The public acknowledgement of the financial success fostered a new spirit of professionalism in DOR employees. Media attention focused on Amnesty also boosted the Department's other ongoing enforcement efforts and helped to promote voluntary compliance.

...AND FORGIVE ME FOR $5.93 IN UNREPORTED TIPS IN 1937... AND GOODNESS ME! IN 1938 I PAID NO TAX ON MY INCOME FROM BABYSITTIN' ...THEN CAME 1939...
MASS. REVENUE DEPT.
GRAHLUND

MASS. TAX DELINQUENTS GIVEN AMNESTY PERIOD.
Reprinted with permission of the Middlesex News

## Criminal Referrals Up 59%

Throughout the Amnesty period, the message from Commissioner Jackson was that once the program ended on January 17, there would be "No more Mr. Nice Guy" at DOR. The promised crackdown was quick in coming. Seizure activity resumed immediately after Amnesty ended, and the pace accelerated throughout the balance of the year.

The enforcement campaign against tax evaders was also stepped up. On March 8, seven corporations and seven individuals were arraigned on tax evasion charges. Another round of indictments followed in April. Evidence for these cases was developed by DOR's Criminal Investigations Bureau (CIB). By the end of the fiscal year, 95 indictments involving 21 corporations and 22 individuals alleging tax liabilities over $2.3 million had been handed down by Suffolk County Grand Juries. In all, 59% more cases had been referred to the Attorney General's Office for prosecution in Fiscal 1984 than in Fiscal 1983.

## New Bankruptcy Unit

In the past, bankruptcy court was one place where companies and individuals were often successful in taking refuge from their State tax obligations. DOR did not have the capability to monitor closely bankruptcy proceedings and to see that bills for State tax were paid along with those of other creditors. In Fiscal 1984 the Legal Bureau created and staffed a new Bankruptcy Unit charged solely with representing the Department in such proceedings and making sure that these tax bills receive the priority attention they deserve. This new unit brought in almost $5 million in 1984, 21% more than was secured from bankruptcy collections in Fiscal 1983 and more than the comparable revenues from Fiscal 1980, 1981 and 1982 combined.

### Inheritance Tax Project

In the Estate Tax Bureau, another special enforcement project brought in nearly $6 million in additional Fiscal 1984 revenues. Two veteran DOR employees led a drive to close out and collect on over 30,000 open files—inheritance tax cases left in the Department's files after the change to the estate tax law in 1976.

Under the inheritance statute, which existed from 1907 until 1976, beneficiaries of an estate paid taxes when they received property from the estate. Where trusts have been created for children and grandchildren, cases can remain open for several decades, and the State cannot collect the tax until the trust has finally been terminated.

The job of closing these cases is complicated by the fact that it takes years to become familiar with the relevant tax laws. Since these laws are no longer applicable, inheritance tax law has not been taught as a course in law schools since 1975. The Department was fortunate to have several employees in the Estate Tax Bureau who had developed the knowledge and the skill to handle these complex cases, some of which dated back to the early years of the century.

Their efforts have paid off handsomely for the State and for beneficiaries who were able to settle accounts now rather than paying the tax over many years. To date, over half of the original cases have been closed, with a direct payback of $110 in revenue for every dollar the Department invested in overtime expenses.

### The Goal: Increased Voluntary Compliance

Our goal in undertaking all of these new enforcement efforts is not just to penalize delinquents and punish evaders. We want to encourage more people to pay their taxes voluntarily. No democratic government could survive if taxpayers had to be coerced into paying their share of the cost of government. Perhaps the most encouraging aspect of our enforcement efforts is that they have spurred voluntary tax compliance. The total attributed to voluntary compliance for Fiscal 1984 is estimated at $165 million, or 25% of our overall increase in revenues. The crackdown against tax delinquents and evaders will certainly continue, but in the future we are confident that more people will spare themselves needless trouble by paying their taxes on time and in full.

## MANAGING DOR'S RESOURCES

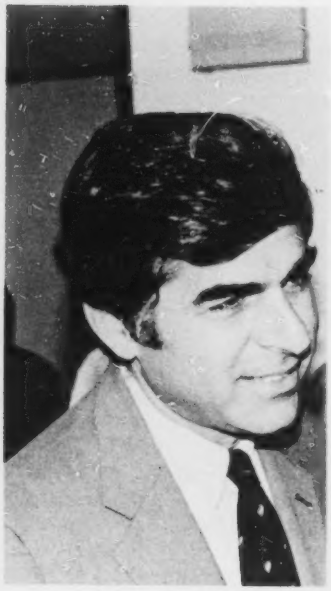
The Amnesty Program, seizures, and other elements of DOR's crackdown on tax cheating made the news headlines in 1984. However, the Department worked just as hard in Fiscal 1984 at the unglamorous but vital business of strengthening its internal management.

Our executives recognize the need for the same high quality of executive skills and managerial talents found in the best run private-sector organizations. The goals are the same, too: maximum productivity with minimum costs and optimum service to the customer. Achieving these goals as well as measuring their success is not easy, especially in the public sector. Changing old and generally negative public perceptions about Departmental management is equally challenging.

Regardless of whether these efforts are recognized, we are proud of what has been done. In the final analysis, it won't be just the headline-making events that will assure DOR's success. It will also be the smooth, efficient professional operation of our daily activities. We strive to make the Department a model State agency both in operation and performance.

### The McDaniel Commission Report: Blueprint for Reform

In July, 1983, the Governor's Advisory Task Force on the Department of Revenue submitted its report to the Governor, the Legislature and the Department. Chaired by Professor Paul R. McDaniel of Boston College Law School, the 11-member group studied DOR operations for over six months. Its report gave a clear picture not only of



what the problems were but also included recommendations to correct them.

When the report was published, Governor Dukakis called it a "milestone toward rebuilding the Department, improving the morale of its employees and bolstering the confidence of taxpayers." Commissioner Jackson saw it as a "strategic roadmap for reform." The Legislature, the press and public activists who understood the Department's problems were equally enthusiastic.

Overall the Task Force recommended 56 specific actions to be implemented over a three-year period. They centered around three major goals:

- Guaranteeing the integrity of DOR operations
- Improving the management of the Department
- Creating a State agency responsive to the needs of taxpayers and the local communities

Significant progress had been made on almost all of these 56 recommendations before the end of Fiscal 1984. But a simple catalogue of initiatives undertaken fails to tell the story of how much has been changed and the extent to which the McDaniel Report has benefited DOR. In many ways both large and small the Department ended the year a better managed, more efficient and responsive State agency.

## Inspiring Public Confidence

As the Report pointed out, to do its job well the Department of Revenue has to inspire the trust and confidence of its taxpaying customers. Trust can only come if the public knows that DOR is being run honestly and free from political interference.

This year we made some important changes to reassure the public concerning the integrity of DOR operations. Under the leadership of First Deputy Commissioner Thomas D. Herman, a Division of Inspectional Services was created both to ensure the security and honesty of Departmental operations and employees, as well as to protect DOR employees from political pressure, bribes and threats or physical abuse from taxpayers.

The new Division was modeled after a similar structure developed by the Internal Revenue Service following serious scandals in that agency in the 1950's. The Division's two offices, Internal Affairs and Internal Audit, are concerned with security, integrity and efficiency issues. They are not directly involved in regular tax collection activities. Internal Audit focuses on management systems. Internal Affairs monitors personnel issues and conducts background checks of prospective Departmental employees. This unit is also responsible for the physical security of Departmental facilities.

Since the Revenue Department is among the most sensitive of State agencies, an important part of the Division's job is to guide DOR employees in their professional and ethical obligations. Employees need to understand their unique relationship with taxpayers as well as their special duties and responsibilities to the State.

In Fiscal 1984 the Department developed an employee code to establish guidelines for conduct at DOR. To ensure full understanding and support of these guidelines, acceptance of the code was still being negotiated with the employees' unions at year's end. When the code is implemented the Department will have a uniform set of standards.

Virtually all DOR employees participate in an Integrity Awareness Program, conducted by the Division of Inspectional Services. This program gives them an overview of their responsibilities for protecting themselves and the reputation and credibility of the Department. Such training enables employees to have a better idea of what the public expects of them.

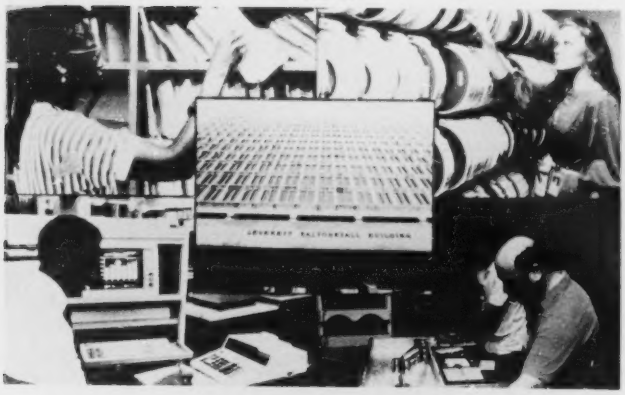
## Automating Tax Administration

A major section of the Task Force recommendations concerned the development and expansion of DOR data processing and computer support. The Commission pointed out the irony that a tax collection agency located in one

of the world's centers of high technology industry should have the woefully inadequate computer systems which existed at the time it began its study. In Fiscal 1983 over 80% of DOR's operations received little or no computer support, and despite a massive volume of correspondence and records not one word processor was in use.

An Electronic Data Processing (EDP) Steering Committee was created to develop and implement a five-year plan to address this vital need. Composed of top level managers within the Department and chaired by the Commissioner, the Committee was charged with upgrading and expanding the Department's computer capacity and capabilities.

One of the Committee's priorities was to conduct a thorough study of the Department's computer operations, aimed at improving efficiency within the existing system. To perform this detailed and very specific analysis, the Department contracted with two private consultants.



One firm, a nationally known consulting company, completed a comprehensive study of office automation at DOR. Its recommendations have provided the foundation for a Department-wide office automation implementation effort, begun in Fiscal 1984 and scheduled to continue into 1987.

In the fall of 1983 a Big Eight accounting and consulting firm began a major study to identify ways in which the Department could improve its overall computer operations. The firm's far-reaching recommendations will take several years to implement and will produce significant cost savings and efficiencies.

To execute the implementation of these ambitious plans the Department created the position of Deputy Commissioner for Information Services and appointed Roberta Timmerman, a loaned executive from the New England Telephone Company. From her 20 years with a leading corporation in the field of communications technology, Ms. Timmerman knows first-hand how computerization and automation not only save time and money but also increase productivity and improve customer service.

The Department's EDP Steering Committee estimated that implementation of its 52 recommendations would take nearly 100 person-years of systems programming and approximately $20 million in additional expenditures over five years. However, the Department has made great progress in computerizing and automating its operations. By the end of Fiscal 1984, 30 microcomputers were in use throughout the Department, and another 70 were on their way.

The biggest stride toward modernization, however, is computerizing the tracking of our abatements and audits, and our accounts receivable files. As the Task Force pointed out, a major problem DOR faced was the inadequacy of its records management. To address this problem, a new abatement system was developed that will automate case tracking, decrease abatement turnaround time and enable the Department's managers to better utilize their resources. A similar tracking system for audits is nearing completion, and a fully automated accounts receivable system has been developed and put on line to process the $577 million collected in corporate excise taxes. Thanks to these new technologies, DOR's managers will be able to do their jobs better and more efficiently.

With these changes there are financial benefits as well. The Task Force reported that an automated audit and collection system would produce a one-time revenue gain of $50-75 million from the existing pool of $300 million

in delinquent taxes. The system was also expected to produce an estimated $30 million in added revenue every year when it is fully operational. Independent consultants working with the Task Force estimated that over a five-year period the system would produce as much as $400 million in additional revenues.

### Improving Analysis for Management and Policy Making

To operate smoothly, efficiently and cost-effectively, DOR needs a broad spectrum of information about its operations—the amount of revenue coming in, the rate at which it is coming in, and where it is coming from. Legislators, local officials, executives in other State agencies and the private sector also use information about State taxes and their effect on the Massachusetts economy. In the past, the Department did not have the capacity to collect and analyze such information. In 1983, a new Bureau of Analysis, Estimation and Research (BAER) was established, enabling DOR to provide this sophisticated revenue analysis.

An example of the Department's improved analytic capacity is the ability to monitor the $67 million in Amnesty collections. This monitoring capacity has been extended to include daily revenue collections. The information lets us know at any given moment the amount of revenue received by the Department and allows the comparison of our actual collections with revenue predictions.

DOR published several legislative reports in Fiscal 1984. One such document was the Tax Expenditure Budget (TEB), which appeared in May, 1983. The TEB was a first step at analyzing the economic impacts of various tax expenditures. These are provisions in the State tax code designed to encourage specific activities to aid taxpayers in special circumstances. The TEB provides estimates of the revenue foregone through such provisions so that their costs can be weighed against their benefits. Armed with such knowledge, State lawmakers can evaluate current tax expenditures and can make informed decisions about future proposals.

In January of 1984, BAER also published a report on corporate tax incentives in Masachusetts—the Urban Job Incentive Program, the Investment Tax Credit and the Wage Factor Exclusion. Similar to the Tax Expenditure Budget, the Corporate Tax Incentive Report analyzed the impact of various tax incentives on Massachusetts businesses. It gave both lawmakers and businessmen a clearer picture of how the State's tax policy affected business decision-making.

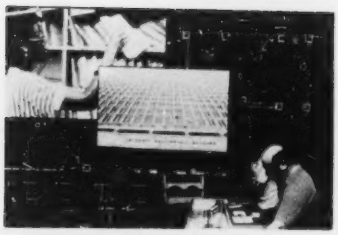
BAER has also worked to improve the Department's ability to estimate tax revenues and to explain the sources of revenue increases and decreases. In 1984 the Bureau concentrated on determining the success of DOR's enforcement efforts in terms of voluntary compliance. This measure is an important indicator of the effectiveness of DOR's tax enforcement pro grams. When the calculations were completed, BAER estimated that over 25% of the overall revenue growth of $663 million from Fiscal 1983 to Fiscal 1984 was due to increased voluntary compliance.

### Creating a Productive and Rewarding Workplace

Part of successful management is developing systems, automating manual processes and using the latest technology to increase productivity. However, without competent, dedicated, and motivated employees no organization can reach its true potential.

DOR has many hard-working individuals among its 1,975 employees—a point the Task Force emphasized. One member of the Commission said his experience with Massachusetts Revenue employees convinced him they were as conscientious, if not more so, than revenue employees in other states.

In the past, however, DOR employees labored under what the Task Force called "archaic" systems of management. Pay levels and pay scales were inadequate. Training programs did not exist, and DOR lacked a career ladder



for deserving, high-achieving employees. An appalling lack of middle-level management made direction and communication between different levels of the organization difficult.

Physical working conditions were also deficient. Employees in the Department's Springfield office worked at cardboard desks. Auditors lacked calculators. Over 120,000 corporate returns were being processed manually. Systems for internal security and internal audit were non-existent, and virtually no training or orientation programs for new employees were provided. Affirmative action was at a standstill.

The Department has taken many steps toward solving these tough problems. The Division of Human Resources, established in 1983, set up a training office in the beginning of Fiscal 1984 to coordinate existing training activities and to provide new ways through which DOR employees could hone and expand their skills. The Training Office has conducted a course for the Department's 219 auditors, which taught them how to keep abreast of the latest tax law changes. In addition, the course familiarized them with DOR's new audit strategy and systems. The Training Office was also in contact with Boston-area colleges and universities to create an information network for DOR employees about available courses to upgrade current skills and to learn new ones.

DOR wants to provide opportunities for the talented and deserving people within the ranks aiming to make their careers with the Department. For those looking ahead, Human Resources has established a career ladder, a kind of employment road map, to help them make job decisions. Now, if an employee stays with the Department and excels at the job, he or she can not only expect advancement, but also know the career steps along the way.

It is equally important that people outside DOR learn about the unique opportunities offered here. We have been getting that message out to colleges, universities and local training schools, in fact anywhere we can find ambitious, hard-working people with an interest in public administration.

Our outreach has also extended to minorities and to the handicapped. Soon after the Division of Human Resources was established an Affirmative Action Office and an Office of Handicapped Affairs were established to encourage more people from these segments of our population to join the Department. Although DOR has always welcomed women, minorities and the handicapped to its work force, these new offices ensure not only their proper representation at all levels of responsibility but also that their special needs are addressed. Of the new employees hired in Fiscal 1984, 22% were minority group members and 48% were women. Among the professionals hired in the year, minorities represented 27%, and 24% were female; new management level staff included 19% minority workers and 31% women. The total number of minorities increased by nearly 50%, and the number of women by well over 25%.

It is interesting to note that DOR employees are responding to efforts to make the Department a challenging and satisfying place to work. While State government employees took an average of 10.42 days of sick leave in Fiscal 1984, Department of Revenue employees on average were absent less than nine days. This absentee rate is 14.3% less than the State average and lower than any other major State agency of comparable size.

People at DOR don't care just about their work. They also care about other people. The Department's employees have always been State government leaders in their annual contributions to the United Way and in their donations to the Massachusetts State Employees Blood Program. The 83% rate of participation in United Way more than doubles the statewide average. In Fiscal 1984 donations by DOR employees to the Blood Program increased by 31% over the prior year. In fact, DOR's 578 donations accounted for almost 10% of all donations from State government. In case of disaster or emergency, when large supplies of blood are needed quickly, medical

authorities know where to call for help—DOR.

### Managing DOR's Physical Resources

Managing DOR's physical plant is no less a task than managing its human resources. DOR operated in Fiscal 1984 on a budget of $53.12 million. The Department owns or leases some 337,000 square feet of office space in 23 locations in Massachusetts and in six other states. Over 500,000 phone calls go into and out of the Department every year. All of that is essential to collection of the $6.075 billion in tax revenue DOR is committed to raising in Fiscal 1985.

We are fortunate to have people in our Management Resources Division who do this basic control job well. In Fiscal 1984 the Division placed heavy emphasis on managing the nitty-gritty details of the Department's operation.

The Department improved and expanded its offices in order to provide a more professional and productive work environment. The Division of Inspectional Services and the Criminal Investigations Bureau were relocated to the Little Building at 80 Boylston Street in Boston. In the Saltonstall Building the seldom used second floor and a new mezzanine were set up to provide modern and expanded quarters for the Taxpayer Assistance Bureau. A sixth Multistate office was established in Pittsburgh. District Offices in Brockton and Fall River moved into new and larger offices. Four other District Offices were also being expanded and renovated. The Hyannis office was relocated. All that activity means both better service for taxpayers and a better working environment for DOR employees.

Other State agencies have come to recognize DOR's success. For example, because the Management Resources staff kept tight control over the Department's inventory of office furniture and equipment, items that weren't being used could be easily identified. When two State agencies sent out requests for used office furniture, DOR volunteered excess inventory and saved the State and the taxpayers money in the process.

31 Jan 84

Mr. Ira A Jackson
Commissioner
Department of Revenue
100 Cambridge Street
Boston Mass.

Dear Sir:

Thank you for the new A,B,C Massachusetts Income Tax form. It is great.

Yours truly,
(Miss) Esther S. MacKenzie

## TAXPAYER ASSISTANCE: SERVING CITIZENS AS THOUGH THEY WERE CUSTOMERS

No other State agency touches the lives of as many Massachusetts citizens as the Department of Revenue. No other State agency has a virtual monopoly on its services. DOR takes this responsibility seriously, and aims to serve our taxpaying customers in more helpful and creative ways.

Of course, the best thing we can do for all Massachusetts taxpayers is to administer tax laws and collect revenues firmly but fairly, with maximum efficiency and courtesy. This year several new services that make paying taxes easier and less complicated were introduced.

### Simplified Tax Form

For years complaints had been registered about the basic personal income tax form. Reflecting the complexity of the law itself, the form was long, the type was small and the end result was confusing to many if not most taxpayers.

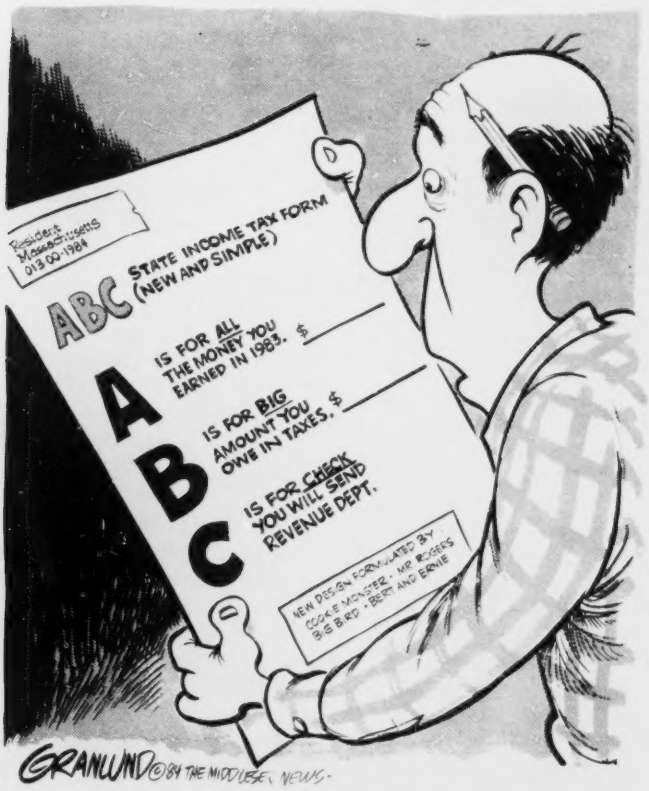
Immediately after the 1983 tax filing season, a Departmental task force set out to develop a shorter, simpler form for those who had income under $40,000 and were not affected by many of the law's complexities. The end result of that project was the **Form ABC**—26 lines shorter than the traditional Form 1. It had seven fewer pages of instructions, all written in simpler English and larger type. For the first time a State tax form was printed in color, with illustrations to help taxpayers with the filing process.

Form ABC was introduced in January, 1984. In addition to direct mailings to taxpayers' homes, over 700,000 copies of the new form were made

available to the public through Post Offices, city and town halls, major banks and other distribution points. The Department worked with the media across the State to alert eligible taxpayers to the availability of Form ABC. The response was enthusiastic—and more than 2.2 million Massachusetts taxpayers used the new form. The simpler new form made paying taxes easier for those already in the habit. It also removed one big excuse for those who had not filed in the past on grounds they couldn't understand the form.

Development of Form ABC was just the start of tax form revision. Work was begun in Fiscal 1984 on redrafting the comprehensive Form 1. That was a major challenge as the form has to capture all the complexities of the State's income tax laws. Nevertheless, the new Form 1, with color, larger type and improved instructions, will be ready for use in 1985. A new corporate short form will aiso be introduced in the upcoming filing season. It will spare small businesses—a vital part of the State's economy—from dealing with the complexities of the corporate long form required for major firms.

Filling out tax forms will never be fun, but the Department will continue its efforts to make the process as painless as possible—treating both individual and corporate taxpayers as though they were customers whose business we want to keep.


Resident
Massachusetts
01300-1984
ABC STATE INCOME TAX FORM (NEW AND SIMPLE)
A IS FOR ALL THE MONEY YOU EARNED IN 1983. $
B IS FOR BIG AMOUNT YOU OWE IN TAXES. $
C IS FOR CHECK YOU WILL SEND REVENUE DEPT.
NEW DESIGN FORMULATED BY COOKIE MONSTER, MR. ROGERS, BIG BIRD, BERT AND ERNIE
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## Helping Taxpayers in Their Communities

During the 1984 tax filing season, the Revenue Department dramatically increased its outreach efforts to help taxpayers. One novel approach was to put taxpayer assistance on wheels, and to bring that service to the taxpayers. A new "Taxmobile", a mobile conference room for DOR personnel to meet with taxpayers, travelled some 2,100 miles. It made 62 stops at shopping malls, town halls and senior centers around the State. Department personnel made another 221 visits to outside locations, 42 of them specifically designed for foreign language groups. With more promotion of the service, 49,700 more people also took advantage of taxpayer assistance services at the Department's Boston headquarters and the 10 District Offices around the State.

In another new phase of taxpayer assistance, the Department went into Massachusetts classrooms. DOR personnel were invited into 25 different school systems to explain State tax laws and forms. Good tax attitudes start early, and DOR hopes that through these efforts young people will grow up with a better understanding of how and why they pay their taxes. This program will be expanded in 1985.

## Problem Resolution Office

Taxpayers occasionally have problems which go beyond the need for information and the routine service which the

Taxpayer Assistance Bureau can provide. Sometimes the Department itself is at fault, and some difficulties are of the taxpayers' own making.

Late in Fiscal 1983 the Department created a Problem Resolution Office (PRO) modeled after a similar unit at the Internal Revenue Service. The PRO is charged with handling protracted and difficult tax cases and with detecting systemic problems and seeking ways to solve them.

The PRO expanded in Fiscal 1984 from its initial staff of two to a full complement of 25 employees. This team was able to serve 11,000 people in Fiscal 1984. Steadily, the cases are being settled satisfactorily and closed. Not only did the State gain additional revenue from solving these cases, but taxpayers with difficult problems had a place to go for help when other attempts to resolve their problems had failed.

### Refunds Returned in Record Time

Over 71% of all those filing income tax returns are eligible for refunds. The Department recognizes that refund money belongs to these taxpayers, and every effort is made to return it to them as quickly as possible. This year most refunds went out in record time. Many people who filed early received their refunds only three weeks later. All taxpayers who had filed correctly by the April deadline had refunds, totaling 1.7 million checks, in the mail by the end of June—seven weeks earlier than ever before.

With the almost one million returns which cascaded into the Department on the final filing week alone, that was an impressive accomplishment. It was made possible by the hard-driving employees of the Processing Division. Even those who did not get tax refunds benefited from the Processing Division's speedy work. With another major effort, employees there had all the payments deposited and earning interest for the State by May 19.

## PROVIDING SERVICES TO OUR 351 CITIES AND TOWNS

Fiscal 1984 was a year of remarkable accomplishment for the Division of Local Services and for the cities and towns of the Commonwealth which it oversees. Virtually all of the 351 municipalities reached full and fair cash valuation of personal and real property during this time. This culminates years of work on the part of the Bureau of Local Assessment and the local Boards of Assessors. We are particularly proud of this achievement, which has made Massachusetts a national leader. As a result, Massachusetts property taxpayers can be certain that their assessments are based on uniform and equitable standards and that these high standards will be maintained in the future.

The completion of the enormous revaluation project and the decline of the initial demands of coping with Proposition 2½ enabled the Division to shift its focus to other issues. The Division's top priority now is developing a much needed technical assistance program founded on solid expertise in municipal fiscal management. This new direction is seen in the Division's "Master Plan: Improving Local Government Fiscal Management," drawn up in conjunction with the Governor's Advisory Task Force.

Developing a CAMA (Computer Assisted Mass Appraisal) System, creating the new Municipal Data Bank, expanding technical assistance, and increasing the Department's audit capacity are all parts of an ambitious plan to enhance the services delivered to communities. All of these initiatives translate into an opportunity for more cost-effective services for citizens.

With the partial funding secured to begin implementation of the Master Plan, we will accelerate and strengthen services to the cities and towns in Fiscal 1985.

From the requests for technical assistance that have come to us it is clear that the Master Plan represents the right response at the right time.

The Division has been called upon to work closely with and make recommendations for two major cities which have been experiencing severe financial difficulties. It has also consulted with a number of other communities in need of assistance or additional expertise to institute progressive new financial management techniques.

The commitment in the Division is to be of service to all communities. We have proved that, for example, with the faster and wider distribution of the annual Cherry Sheets announcing local aid and assessments. Sailing smoothly through the second year of computerization of that Cherry Sheet process, the Municipal Data Management and Technical Assistance Bureau played a key role in producing the Fiscal 1985 Cherry Sheets on March 10, 1984—the earliest date in a decade or more. Bureau staff added a very special touch to the Cherry Sheet package by providing an individual analysis sheet explaining in detail the major changes in aid and assessments for each of the 351 cities and towns. These documents were circulated to a wider range of local officials than ever before.

Another service of great potential value to cities and towns is the new Municipal Data Bank. Fiscal 1984 was an incubation period for that project. Much of the groundwork was laid by standardizing the programming and input data, then moving ahead with the immense data entry process.

Similarly, progress in the form of computerization was made in another of the Division's more traditional tasks. Our Bureau of Local Assessment produced the first-ever computerized set of Equalized Valuations (EQV's). This massive project produces the biennial valuation figures which are used in local aid formulas and assessments.

The Bureau of Local Assessment is also using computer technology to make possible another major service to communities. Its CAMA (Computer-Assisted Mass Appraisal) project will enable communities to keep their valuations current at the lowest possible cost. The CAMA project was launched in Fiscal 1984 with the award of a contract to the International Association of Assessing Officers, which is developing specifications for a software package tailored to the specific needs of Massachusetts communities.

Municipalities will benefit from the plans to increase the capacity of the Bureau of Accounts to perform audits. The Bureau will also be able to provide assistance to those communities which choose to convert to the Uniform Municipal Accounting System (UMAS). That change brings users into conformance with Generally Accepted Accounting Practices (GAAP), another important step in improving local fiscal management.

## THE ORGANIZATION AND THE LEADERSHIP

### Functional Reorganization

Any organization succeeds or fails on the strength of its personnel, and the Department of Revenue is no exception. Our successes in Fiscal 1984 have come about largely because of a solid foundation of honest and capable employees led by tough and creative managers prepared to take risks and to be held accountable for implementing sweeping changes. A challenge that DOR's managers are meeting is the encouragement of hard workers to rise to their potential.

A great deal of thought and effort has gone into streamlining our operations and making them more efficient. Building on an earlier reorganization, the Governor's Advisory Task Force report emphasized that the Department should be organized along functional lines, not by type of tax as in the past. By making each division and bureau responsible for its particular function, the entire Department can operate more effectively.

One of the biggest and potentially most productive changes was the consolidation of the Department's in-state audit functions. By incorporating all such activity in one Audit Bureau, audits across all taxes can now be coordinated and monitored. This saves time and improves the ability to cross-reference audits by taxpayers.

Other important structural changes have also been made. The Multistate Division, responsible for conducting all audits and collections in DOR's six out-of-state offices, became part of the Enforcement Division. That was a first step toward fulfilling the Division's goal of integrating audit capability with both in-state and out-of-state focus. In another step, the abatement and processing functions of the Corporations and Excise Bureaus were transferred respectively to the Abatement Bureau and the Processing Division.

While this restructuring is of primary importance to DOR, its managers have tried to minimize the inevitable disruption and confusion associated with the change. They strongly believe that the changes which have taken place, as well as those yet to come, will make the Department a more productive, more efficient and more responsive State agency.

### Personnel Changes

Accompanying the many structural changes at the Department have been some important personnel moves. From within the ranks, as well as from the private sector and other government agencies, a number of talented individuals have accepted new and exciting opportunities with the Department.

### Information Services Organization

Roberta Timmerman, a loaned executive from the New England Telephone Company, was named Deputy Commissioner to lead the Information Services Organization (ISO). Her primary job is to assist DOR in implementing systems changes and to support the Department's long range planning for increased automation and computer services.

Ms. Timmerman worked for New England Telephone for almost twenty years, and rose to the position of District Manager in 1978. In that capacity she headed a staff of more than 200 professionals and was responsible for administrative services in NET's five-state region. Most recently Ms. Timmerman was a District manager in NET's Treasury Department, where she worked on special projects to achieve office and systems efficiency through computerization.

Dan Wasserman was appointed Director of New Systems Development. Before joining the Department he spent ten years with the Commercial Union Insurance Co., where he worked in EDP Auditing, System Development and Support.

Larry Campbell, the new Chief for Training in ISO, is an 11-year veteran of the Department of Revenue. Before joining the ISO he worked in the Data Services Division, as a manager for Systems and Programming. Mr. Campbell has an A.S. in Electronic Data Processing and a B.S. in Management Information Systems from Northeastern University.

Dan Collins is the new Bureau Chief for Programmer Developed Systems. He graduated from Widener College in Pennsylvania and holds a Master's degree in City and Regional Planning from Harvard University. Before coming to DOR, Mr. Collins worked for the New York City Department of General Services and DataComp Systems Corporation in Boston.

Ilene Kanoff joined DOR as a consultant responsible for Systems Administration in ISO. She holds a B.A. in Psychology from Temple University and has been an independent consultant in computers and data processing in Ithaca, New York. She also worked for the accounting firm of Peat, Marwick, Mitchell and Co.

The Bureau Chief for Computer Operations, Larry McCabe, is a 25-year veteran of the Department of Revenue. Mr. McCabe spent four years with the Air Force studying electronics. He joined DOR after a brief stint with the Department of Employment Security.

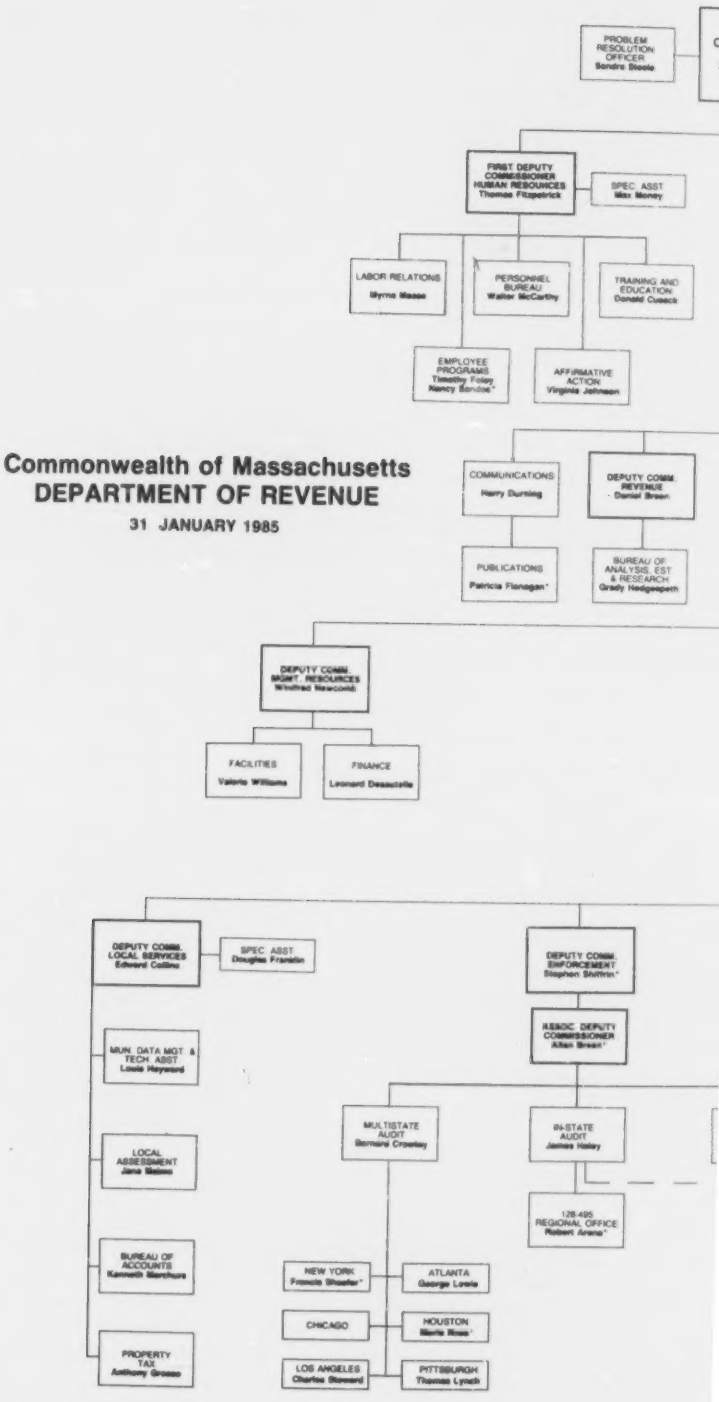
Vincent Piccinni is the director of User-Developed Mapper Applications, which is used to develop faster, more user-oriented software applications. He holds an Associate degree in Business Administration and Computer Science from Lowell Technological Institute. Mr. Piccinni has worked for the Department for 15 years in Computer Operations and Technical Support.

**Management Resources**

Winifred J. (Wink) Newcomb was appointed Deputy Commissioner for Management Resources, formerly known as the Division of Administration. She is responsible for overseeing the critical functions performed by the Finance Bureau and the Office of Facilities Management. Those include preparing the Department's budget, keeping track of DOR's internal finances and managing the Department's physical resources.

Ms. Newcomb comes to the Massachusetts Department of Revenue from the Internal Revenue Service. For eight years she had directed management resources operations of increasing complexity within the IRS's Western Region based in Los Angeles. Her responsibilities included fiscal planning and management, facilities management, physical security, procurement and document processing—many of the same tasks she's taken on at the Department of Revenue.

Joining the Management Resources Division to head up the Office of Facilities Management was Valerie Williams, who came to the Department from the Prudential Insurance Company. As an Associate Manager with that company she directed all real estate and equipment functions for 200 field offices located in New York, Pennsylvania and New England. She was graduated summa cum laude with a B.S. from Tufts University and received her M.A. from Boston University in 1979. Reporting to the Deputy Commissioner for Management Resources, Ms. Williams assumed responsibility for DOR's real estate negotiations, physical renovation and maintenance. She also directs space planning, office layout and telecommunications activities.




## Commonwealth of Massachusetts
## DEPARTMENT OF REVENUE
**31 JANUARY 1985**

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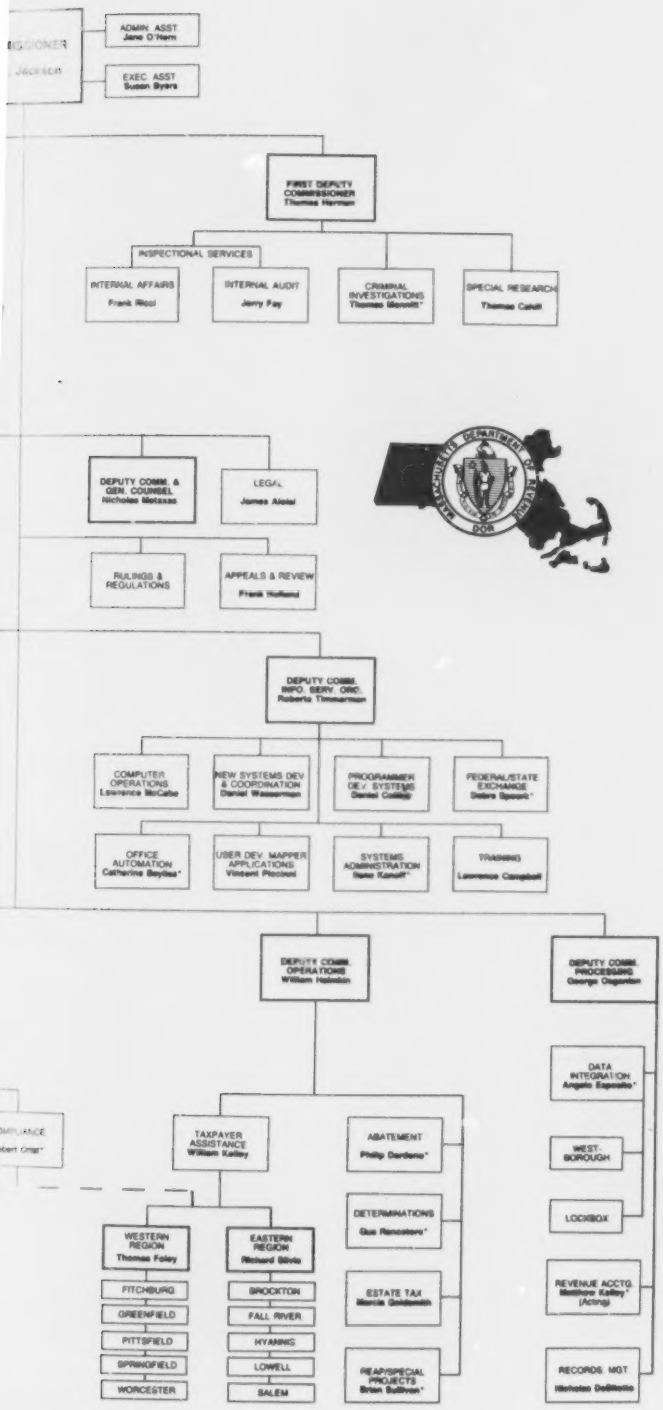


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R. Arena

K. Bayliss

A. Breen

D. Breen

S. Byers

T. Cahill

L. Campbell

O. Clarke

D. Collins

E. Collins

R. Crist

B. Crowley

C. Curran

D. Cusack

H. Dardeno

P. Dardeno

N. DeBitetto

L. Desautelle

H. Durning

A. Esposito

J. Fay

T. Fitzpatrick

P. Flanagan

T. Foley

D. Fraser

M. Goldsmith

A. Grosso

J. Haley

W. Halmkin

L. Hayward

G. Hedgespeth

T. Herman

F. Holland

I. Jackson

V. Johnson

I. Kanoff

M. Kelley

R. Kelley

W. Kelley

R. Kleinfeld

J. Malme

K. Marchurs

M. Masse

L. McCabe

W. McCarthy

E. McHale

T. Mennitt

N. Metaxas

W. Newcomb

P. O'Halloran

J. O'Hern

G. Osganian

V. Piccinni

A. Rancatore

F. Ricci

S. Shiffrin

D. Spoerk

S. Steele

B. Sullivan

J. Tracey

R. Timmerman

D. Wasserman

V. Williams

## Human Resources Division

Virginia Johnson was appointed as DOR's first Affirmative Action Officer. Her primary duty is to work with the Training Office to encourage talented and qualified minorities to seek employment with DOR. For many years she was the Affirmative Action Officer at the New England Health Center in Roxbury, where Ms. Johnson was recently named Secretary of the Board of Directors. She is a member of the American Association of Affirmative Action Officers and of the Senior Black Administrators of the Commonwealth of Massachusetts.

Directing the new Office of Handicapped Programs is Timothy Foley. Mr. Foley has been a tax examiner with the Department for 19 years. During that time, he took a three-year leave of absence to be Director of the Boston Center for Independent Living and the Legislative Assistant to the Office of Consumer Affairs. Most recently, he started "The Ride", a service which offers door-to-door transportation to Boston area handicapped people.

DOR began a new program in 1984 to raise employee awareness of health. The LifeStyle Program is a comprehensive fitness and health care program that offers fitness counseling, exercise classes and health awareness seminars to all DOR employees. Heading that new program is Paula Lynch, who works for Medical Care/Health Promotion Affiliates of Boston and is experienced in the health and recreation field.

## Multistate Operations

On June 30, the Department lost a valuable and knowledgeable career manager with the retirement of Deputy Commissioner Owen L. Clarke, a national authority in the field of corporate taxation. Mr. Clarke, a veteran of 34 years with the Department, had served in a leadership role in a number of regional and national organizations in the taxation and accounting fields. Prior to his retirement, Mr. Clarke had headed the Department's Multistate Division, and was a former Commissioner.

To take over the Multistate functions, Commissioner Jackson appointed Bernard F. Crowley, Jr., who had been First Deputy Chief in the In-State Audit Bureau. Mr. Crowley began his career with DOR in 1964 and rose through the ranks to become a corporate analyst and then Assistant Bureau Chief before assuming th position of First Deputy The Multistate Operation Mr. Crowley now heads has six offices across the country and in 1984 was responsible for $50.6 million in additional audits.

## Division of Local Services

Stepping in to head the Bureau of Accounts in 1984 was Kenneth A. Marchurs, CPA. Mr. Marchurs, who had been Comptroller of North Shore Community College, brought his experience in the State Auditor's Office to this important position as chief arbiter for many local fiscal officers throughout the State.

## Operations

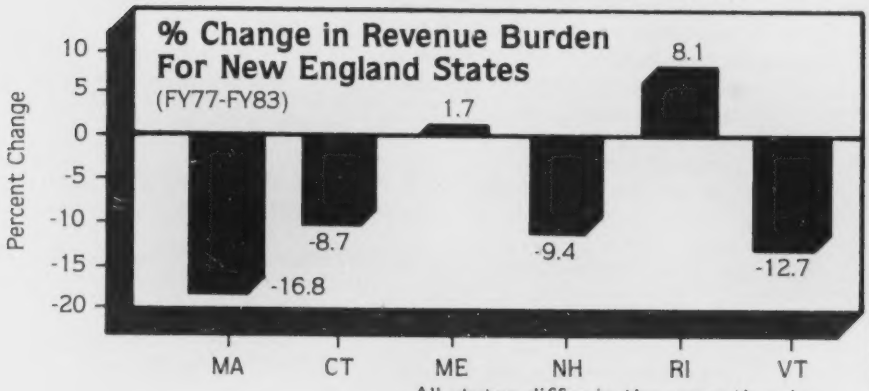
Philip Dardeno, a 10-year veteran of the Department, was appointed to head the Abatements Bureau. He holds a B.S. in Economics from Holy Cross College and a Masters of Science in Taxation from Bentley College. Prior to assuming his new position he worked in the Compliance and Audit Bureaus within the Department.

## Rulings and Regulations

John Tracy was appointed Acting Head of the Rulings and Regulations Bureau. He has worked at DOR for 11 years, first in the Audit Bureau and then as a Tax Counsel in the Legal Bureau. Mr. Tracy was graduated from Suffolk Law School in 1978 and holds an L.L.M. from Boston University Law School.

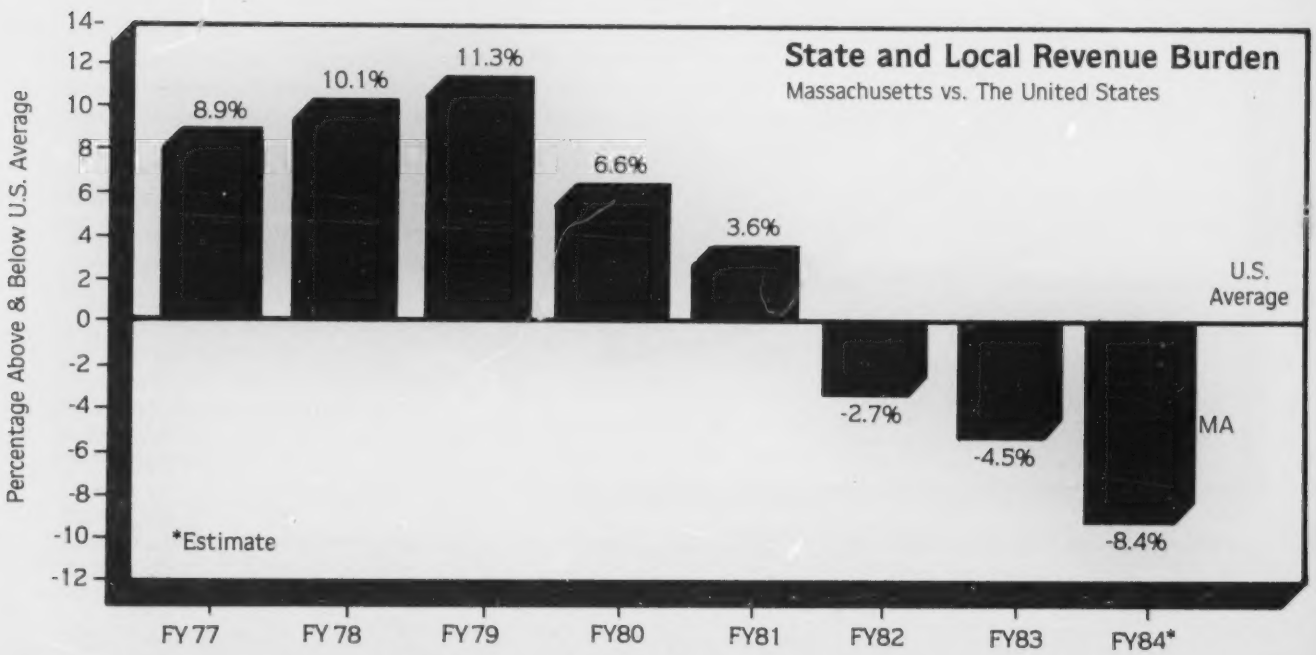
## A LOOK AT THE REVENUE BURDEN IN MASSACHUSETTS

Revenue burden is the portion of income that the taxpayer pays for government services. This amount, to be paid in taxes and other government charges, is a key economic factor for individual citizens, for business operations and for the various states.




All states differ in the ways they impose taxes and user fees, as well as in the percentage of revenue they collect from various types of taxes and taxpayers. States also compete with one another for new development. Thus the revenue burden is a significant factor in both personal and corporate decisions on whether to invest, to build, to expand, to close down or to move. The State and its communities, in turn, are affected by the outcome of those decisions as they seek to provide jobs and services for their citizens.

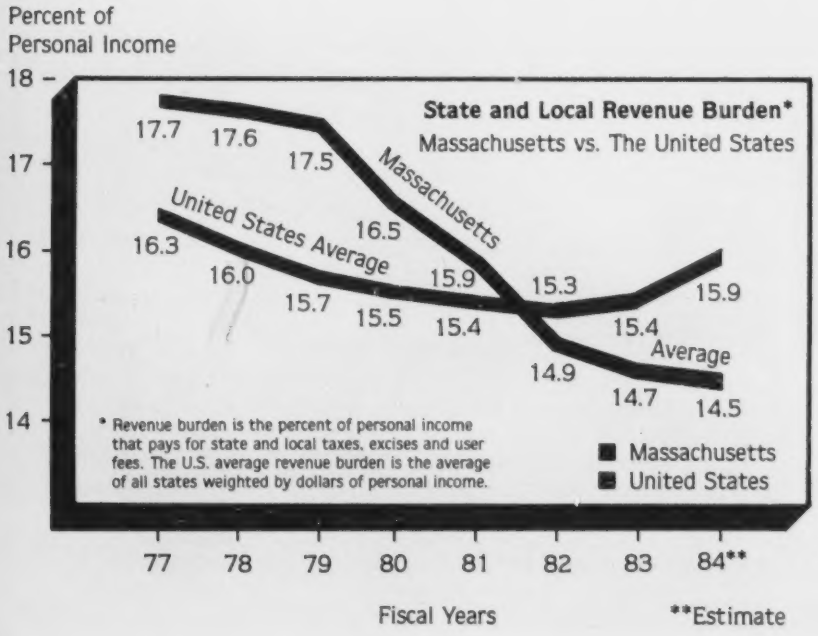
For all these reasons, it is important to have an accurate measurement of how heavy the revenue burden really is, especially on a comparative basis. There are many ways to measure the weight of the revenue burden. One of the best ways to make that measurement is to figure revenue collections as a percentage of income — a measure of ability to pay. A tax bill of $2,000 is less of a burden on a taxpayer with a $50,000 income than a $1,000 bill would be on a business or individual earning only $20,000. For example, while tax bills and user fees are higher per capita in Massachusetts than in Mississippi, income here is proportionally even higher, and the final revenue burden here is lower.



## Where Does Massachusetts Stand?

Massachusetts has been making tremendous progress in its comparative revenue status. In 1979, our burden was one of the highest in the nation — 11.3% above the national average. However, it has dropped every year since then. By Fiscal 1983 our revenue burden was 4.5% below the national average. The Department of Revenue projects that the Massachusetts revenue burden will be 8.4% below the national average in Fiscal 1984.

The best news in these changing comparisons has been the improvement in our standing against surrounding states and others across the country with which Massachusetts must compete for economic development. As shown in the accompanying graphs, Massachusetts is now fully competitive with these states. In Fiscal 1983, the Massachusetts revenue burden was 5.6% lower than the weighted average of the 10 largest industrial states. We were also lower than three of the other five New England states.




## How the Progress Was Made

The revenue burden measures taxes and various government fees as a percent of personal income. Thus it can decline in either of two ways—by personal income going up or by taxes coming down. Massachusetts has had positive movement in both areas:

- The Massachusetts economy has been booming, and thus the income base has been growing.
- Total local property taxes have declined some $500 million between Fiscal 1981 and Fiscal 1984.

There are three other key factors in our changing tax standing:

- Improved administration and tougher enforcement of State tax laws, which have brought in added millions from delinquents and evaders. This has broadened the tax base, not increased it.
- A set of tax incentives which has encouraged business development, further broadening the taxpayer base.
- Tax increases in most other states which, unlike Massachusetts, have depended more on that approach to solve their revenue problems.

In 1983 Massachusetts was one of only three major industrial states which did not raise broad-based taxes. Even with the increase to put a sensible floor under the gas tax, our rate is by far the lowest in the region.

Let's look further at some of those issues.

## The Massachusetts Economy

Since January 1983, the Massachusetts economy gained 199,000 jobs, and the unemployment rate fell from 7.8% to 3.9%. In this same time period, total personal income rose 12.3%. That meant more businesses and individuals earning more money and revenue growth through economic expansion instead of tax rate increases.

## Proposition 2½ and More Local Aid

Some of the credit for reducing Massachusetts' tax burden must go to Proposition 2½. However, much of the credit for making Proposition 2½ work must go to increased State aid to cities and towns—aid provided with no increase in the major State tax rates.

Between Fiscal 1981 and Fiscal 1984, local aid increased 59%. Though combined city and town property taxes fell 14% over that period, actual local spending across the State decreased in only one of those years. By Fiscal 1984, resources available at the local level had risen $130 million from the time Proposition 2½ went into effect.

The Dukakis Administration has continued its commitment to return to communities 40% of the increase in State growth taxes. In Fiscal 1985, the grand total of direct aid and other programs to assist cities and towns will total $2.5 billion, 36% of the entire State budget. This represents an increase of $365 million or 17.1% over Fiscal 1984.

In brief, it has been our booming State economy and improved tax law enforcement which have allowed local government to keep functioning effectively even with a cap on its key local revenue source, the property tax.

**XYZ Corporation**

**Calculation of Net Income Portion of Corporate Excise**

| | |
|---|---|
| Total Revenue | $70,000,000 |
| Expenses | 62,500,000 |
| Net Income Before Special Deductions | 7,500,000 |
| Special Deductions | |
| ACRS | 550,000 |
| Loss Carryover | 3,300,000 |
| One Year R&D Expensing | 140,000 |
| Net Income Before Apportionment | 3,510,000 |
| Apportionment Factor* | .60 |
| Net Income After Apportionment | 2,106,000 |
| Targeted Jobs Deduction | 62,000 |
| Taxable Income | 2,044,000 |
| Tax Rate | .095 |
| Tax Due Before Credits | 194,180 |
| 3% ITC | 80,000 |
| Tax Liability | 114,180 |
| Effective Tax Rate | 1.5% |

* The apportionment factor is determined by the percentage of a firm's total payroll, property and sales that is located or occurs in Massachusetts. Sales are double weighted. In the example above, the apportionment factor is derived as follows:

$$\frac{100\%}{1} + \frac{100\%}{1} + \frac{2\,(20\%)}{2\,(1)} = \frac{240\%}{4}$$

$$\frac{240\%}{4} = 60\%$$

## Business Tax Incentives

Though some businessmen still talk of the State as "Taxachusetts," the burden of taxes with an initial impact on business has dropped 24% since 1977 and is now 16% below the national average. In addition to that generally favorable tax climate, the State offers a series of major tax incentives.

Now let's look at a specific example—XYZ Corporation—a fairly small ($70 million in sales) but growing high-tech company and see how it would be taxed in Massachusetts. We will assume that the company is four years old and has just developed a successful vision system for robots. It is now showing a good profit after three years of losses due to start-up costs. The company has its headquarters and research facility in Massachusetts but makes 90% of its sales in other states.

In Massachusetts, this corporation is able to use accelerated depreciation, loss carryovers and the double weighting of sales to reduce its taxable income. Also note how the corporation can take advantage of a job creation deduction and an investment credit to further reduce its Massachusetts tax bill.

## REAP: Achieving Greater Tax Equity Through Tough Enforcement

The Department of Revenue is committed to doing everything it can to enforce the Commonwealth's tax laws as firmly and fairly as possible. In Fiscal 1984 the Department's enforcement activities netted over $300 million, an increase of more than 50% over the previous year. Imaginative, aggressive tax law enforcement has been a key reason why Massachusetts has not had to resort to broad-based tax rate increases, as 31 other states have in the past three years.

## DOR'S LEGISLATIVE PACKAGE

Fiscal 1984 brought several significant legislative enactments for the Department of Revenue, most of them stemming from action by the 1983 Legislature in the second half of its session.

The Department's program for the 1984 session, which contained 30 separate proposals, was almost all in the committee stage at the end of the fiscal year on June 30.

In addition to its own program, DOR participated in the drafting of legislation to implement eight changes in the law recommended by the Governor's Advisory Task Force on the Department of Revenue. That package, filed in February, would put into statute some of the key integrity initiatives already in place by Administrative action. The most notable of those would be the establishment of the Division of Inspectional Services. Action on that package was also pending at the end of the fiscal year.

In addition to the REAP program, other significant legislative enactments for Fiscal 1983 were:

- Income tax checkoffs for the Nongame Wildlife Fund and the Organ Transplant Fund.
- Extension of the residential energy income tax credit for renewable energy systems for another two years.
- Establishment of an annual tax expenditure budget.
- Protection of state tax liens on registered land transfers.
- Restriction of cigarette excise stamps to decals only and eliminating use of meter impressions.

The following is a list of the Department's recommendations for the 1984 Legislature:

- Corrective changes in the existing tax laws.
- Revision of the provisions for the classification of corporations subject to the corporation excise.
- Establishment of statewide Computer Assisted Mass Appraisal (CAMA) systems.
- Clarification of real estate exemptions granted to certain paraplegic veterans and their surviving spouses.
- Clarification of definition of "population" used to define certain distributions and assessment provisions.
- Revision of the assessment of omitted real or personal property.
- Authorization of real estate tax bills that show a single valuation for land and buildings.
- Minimum refund under the motor vehicle excise.
- Taxation of agricultural and horticultural land.
- Corrective changes in the capital gains deductions.
- Increase in the thresholds for filing individual declarations of estimated tax.
- Clarification of provisions relating to the disclosure of tax return information.
- Refund of overpayments determined after certain taxpayer audits.
- Clarification of personal liability for certain State taxes.
- Authorization for Commissioner to correct errors in tax assessments or payments and resolve multiple refund claimant disputes.
- Elimination of limitation upon abatement of taxes where late return is filed.
- Prohibition upon suits to restrain the assessment or collection of a State tax.
- Increase in amount of small tax balances that Commissioner can abate.
- Revision of Lien and Levy provisions applicable to State taxes.
- Application for registration or license under certain tax laws.
- Wage reporting and bank match systems.
- Limitation on use of the corporation excise investment tax credit.
- Repeal of separate income tax on corporations engaged exclusively in interstate commerce.
- Reimbursement of fuel taxes on account of Turnpike use.
- Payment of cigarette excise only by stamps.

- Conformance of the definition of "lodging house" in rooms occupancy excise law to definition for local licensing purposes.
- Sales tax on returned merchandise.
- Clarification of certain provisions of the estate tax applicable to non-residents.
- Restriction of deductions under the estate tax to those paid or accrued.
- Clarification of the application of Massachusetts tax liens to registered land.

## PRIORITIES FOR FISCAL 1985

Recognizing what is possible and when it is possible is a critical management responsibility. We are trying to be realistic in our timetables, but at the same time we want to implement as soon as we can those important initiatives which will really make a difference in the character and quality of our operations.

Our priorities certainly won't change. We will continue to set our sights on the same basic goals we strived to achieve in 1984:

- Firm, fair and honest tax administration.
- Improved internal management, increased productivity, and a more personalized, challenging workplace for our employees.
- Better services to our taxpaying customers and to the 351 cities and towns in Massachusetts.

In Fiscal 1985 we will continue to implement many of the successful initiatives of the past two years. Our efforts to modernize and computerize the Department's operations will also continue, and we will expand services to our customers.

One major target for Fiscal 1985 is to revise completely and simplify Form 1, the more complicated tax form that many taxpayers have had to struggle with in the past.

Our crackdown on evasion and delinquency will continue in even smarter, more sophisticated and less predictable approaches. As we continue to demonstrate that we are both serious and effective about tax law enforcement, we are confident that there will be less evasion and delinquency to combat and that voluntary compliance will continue to increase.

In all that we do in 1985 or the future, we aim to do in a professional manner, with a goal of providing efficient, helpful service to our taxpaying customers. As we continue in our ambitious attempts to improve, we'll need the continued support of the Governor, the Legislature, and the public.

Some of our most important goals such as computerization and office automation will cost a substantial amount of money. We recognize that the State has many important needs competing for attention. By investing in the Department of Revenue, however, the State gets one of the best bargains going: for every dollar invested in our Fiscal 1984 budget we collected $105.60 in tax revenues for the people of the Commonwealth. With that kind of return, and with the professional management now evidenced in the Department, taxpayers and Legislators can be assured that they are getting their money's worth for the good of the Commonwealth.

| TYPE OF TAX | MEASURE | RATE | RETURN DUE |
|---|---|---|---|
| **Personal Income** | Dividends, Capital Gains[1] & Interest other than Mass. bank interest. | 10.75% | On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings. |
| | Other income | 5.375% | |
| **Estimated Tax** | | | Due quarterly on or before the 15th day of April, June, September and January. |
| **Estate** (replaced Inheritance for deaths on or after January 1, 1976) | Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions) | 5% to 16% | Within 9 months after the date of the decedent's death. |
| **Alcoholic Beverages** | Malt (31-gal. bbl.) | $3.30 | Monthly, on or before the 20th day of the month. |
| | Cider 3%-6% (wine gal.) | $ .03 | |
| | Still wine 3%-6% (wine gal.) | $. 55 | |
| | Sparkling wine (wine gal.) | $ .70 | |
| | Alcoholic beverages 15% or less (wine gal.) | $1.10 | |
| | Alcoholic beverages more than 15%-50% (wine gal.) | $4.05 | |
| | Alcoholic beverages more than 50% (proof gal.) | $4.05 | |
| **Cigarettes** | 20-Count package | $ .26 | Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition. |
| **Deeds** | Sales price (less mortgage assumed) of real estate | $1.14 per $500 | Monthly, on or before the 10th day of the month. |
| **Motor Fuels** | Gasoline and Diesel Fuel per gallon[2] | 10% | Monthly, on or before the 20th day of the month. |
| | Propane, Liquified Gas, etc. | 10% | |
| **Room Occupancy** | Transient Room Occupancy | 5.7% | On or before the 20th day following the close of the tax period.<br>**If annual liability:**<br>Up to $25,000 - Monthly filings<br>Over $25,000 - Monthly payments, Quarterly filings |
| **Sales and Use Tax** | Sale, rental or use of tangible personal property | 5% | On or before the 20th day following the close of the tax period.<br>**If annual liability:**<br>$100 - Annual filing<br>$101 - 1,200 - Quarterly filings<br>$1,201 - 25,000 - Monthly filings<br>Over $25,000 - Monthly payments, Quarterly filings |

1 While capital gains are taxed at 10.75%, taxpayers can deduct 50% of net long-term capital gains, creating an effective tax rate of 5.375%.

2 Rate is 10% average of wholesale price, with an 11¢ floor.

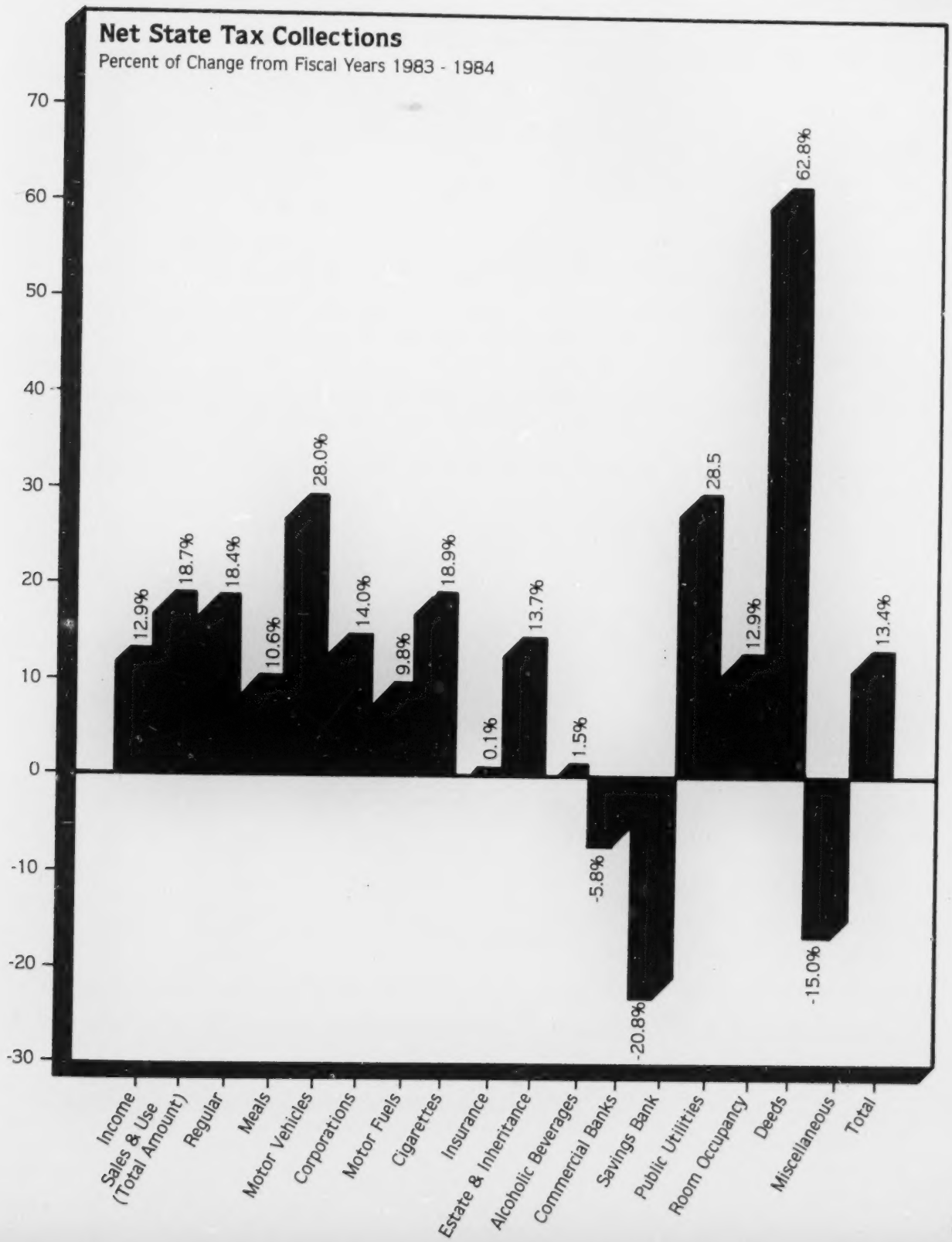
| TYPE OF TAX | MEASURE | RATE | RETURN DUE |
|---|---|---|---|
| **Sales Tax on Meals, Prepared Food and/or Alcoholic Beverages** | All "restaurant" food and on-premise consumption of alcoholic beverages in any amount. | 5% | On or before the 20th day following the close of the tax period.<br>**If annual liability:**<br>Up to $25,000 - Monthly filings<br>Over $25,000 - Monthly payments<br>Over $25,000 -Quarterly filings |
| **Business Corporation** | Net Income<br>Tangible Property or Net Worth<br>Minimum | 9.5%<br>$2.60 per $1,000<br>$228 | 15th day of third month after close of taxable year. |
| **Estimated Tax** | | | Due quarterly as follows:<br>15th day of third month of taxable year-30%<br>15th day of sixth month of taxable year-25%<br>15th day of ninth month of taxable year-25%<br>15th day of twelfth month of taxable year-20% |
| **Security Corporation** | | | |
| Regulated | Gross Income | 0.33% | Same as business corporations. |
| Unregulated | Gross Income<br>Minimum | 1.32%<br>$228 | |
| **Commercial Bank** | Net Income | 12.54% | Same as business corporations. |
| **Savings Institution** | Deposits (semi-annual)<br>Net Income | 0.0625%<br>1.254% | On or before the 25th day of the seventh month of the taxable year and the 25th day of the first month following the close of the taxable year. |
| **Public Utilities** | Net Income | 6.5% | Same as business corporations. |
| **Insurance Company** | | | |
| Domestic Life | Annuity Considerations<br>Other Premiums<br>Gross Investment Income | 2.28%<br>3.2%<br>1.0% | On or before March 15. |
| Foreign Life | Premiums | 2.0% | |
| **Domestic Casualty** | Premiums<br>Gross Investment Income | 2.28%<br>1.0% | On or before March 15. |
| **Foreign Casualty** | Premiums | 2.28% | |
| **Ocean Marine** | Underwriting Profit | 5.7% | On or before May 15. |
| **Club Alcoholic Beverages** | Gross Receipts | 0.57% | On or before April 15. |
| **Motor Vehicle** - garaged outside Massachusetts | 90% to 10% of Manufacturer's list price | $25 per $1,000 | On or before sixty days from Notice of Tax. |

# Net State Tax Collections

Fiscal Years 1981-1984 (Add $000)

| TAX or EXCISE | FY1981 | FY1982 | FY1983 | FY1984 | % of Change |
|---|---|---|---|---|---|
| **Alcoholic Beverage** | $ 84,740 | $ 84,447 | $ 82,278 | $ 83,524 | 1.5 |
| **Commercial Banks** | 38,856 | 29,385 | 66,358 | 62,527 | (5.8) |
| **Savings Banks** | 37,648 | 40,819 | 47,622 | 37,700 | (20.8) |
| **Cigarettes** | 148,555 | 145,357 | 142,912 | 169,912 | 18.9 |
| **Corporations** | 441,922 | 498,055 | 506,113 | 577,061 | 14.0 |
| **Deeds** | 12,967 | 12,492 | 13,709 | 22,318 | 62.8 |
| **Estate & Inheritance** | 82,020 | 99,355 | 111,850 | 127,140 | 13.7 |
| **Income:** | | | | | |
| Estimated Payments | 291,461 | 398,518 | 416,331 | 431,750 | 3.7 |
| Withholding | 1,743,673 | 1,924,770 | 2,073,601 | 2,316,383 | 11.7 |
| Returns & Bills | 238,785 | 263,203 | 268,631 | 350,845 | 30.6 |
| Subtotal | 2,273,919 | 2,586,491 | 2,758,563 | 3,098,978 | 12.3 |
| Less Refunds & Abatements | 215,975 | 262,433 | 286,300 | 308,544 | 7.8 |
| Subtotal Income | 2,057,945 | 2,324,058 | 2,472,263 | 2,790,434 | 12.9 |
| **Insurance** | 114,083 | 122,218 | 134,875 | 134,948 | 0.1 |
| **Motor Fuels** | 237,528 | 269,239 | 250,425 | 275,003 | 9.8 |
| **Public Utilities** | 17,642 | 30,077 | 40,482 | 52,017 | 28.5 |
| **Room Occupancy** | 22,094 | 24,290 | 26,220 | 29,608 | 12.9 |
| **Sales & Use:** | | | | | |
| Regular | 573,173 | 607,544 | 682,879 | 808,260 | 18.4 |
| Meals | 155,527 | 164,213 | 186,420 | 206,264 | 10.6 |
| Motor Vehicle | 131,015 | 145,603 | 182,413 | 233,524 | 28.0 |
| Subtotal Sales | 859,716 | 917,360 | 1,051,712 | 1,248,048 | 18.7 |
| **Miscellaneous:** | | | | | |
| Beano (a) | - | - | - | - | - |
| Club Alcoholic Bev. | 7 | 612 | (c) 431 | 238 | (44.8) |
| Motor Vehicle | 468 | 318 | 422 | 487 | 15.4 |
| Raffles & Bazaars (a) | - | - | - | - | - |
| Subtotal Miscellaneous | 475 | 930 | 853 | 725 | (15.0) |
| **TOTAL** (b) | $4,156,192 | $4,598,081 | $4,947,672 | $5,610,966 | 13.4 |

* Excludes Racing, Boxing, Raffles and Bazaars, Beano and Urban Redevelopment taxes, and Departmental non-tax revenue.
** As adjusted.
a) Administration of taxes on beano, raffles and bazaars transferred to State Lottery Commission, January 1, 1978.
b) As adjusted. Excludes boxing and racing taxes which are not administered by DOR.
c) Includes adjustments for prior years (Chapter 21 of the Acts of 1983).


Net State Tax Collections
Percent of Change from Fiscal Years 1983 - 1984
70
60
50
40
30
20
10
0
-10
-20
-30
12.9%
18.7%
18.4%
10.6%
28.0%
14.0%
9.8%
18.9%
0.1%
13.7%
1.5%
-5.8%
-20.8%
28.5
12.9%
62.8%
-15.0%
13.4%
Income
Sales & Use (Total Amount)
Regular
Meals
Motor Vehicles
Corporations
Motor Fuels
Cigarettes
Insurance
Estate & Inheritance
Alcoholic Beverages
Commercial Banks
Savings Bank
Public Utilities
Room Occupancy
Deeds
Miscellaneous
Total

# Net State Tax Collections By Fund

Fiscal Years 1981 — 1984 (Add $000)

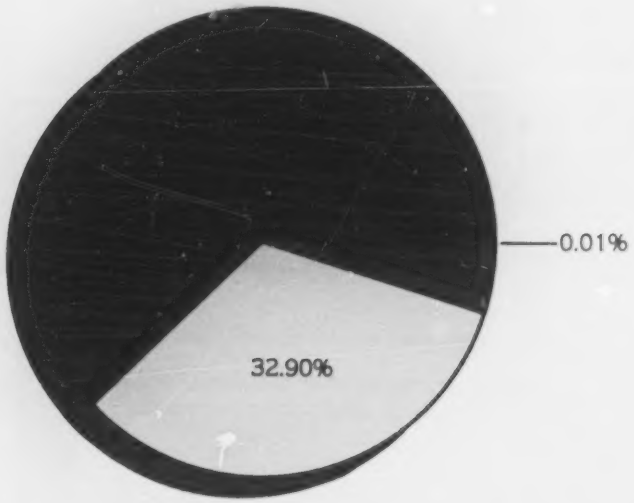
| Fund | FY1981 | FY1982 | FY1983 | FY1984 | % of Change |
|---|---|---|---|---|---|
| General | $2,571,152 | $2,835,810 | $3,085,639 | $3,494,786 | 13.3 |
| Local Aid | 1,343,800 | 1,495,789 | 1,612,051 | 1,846,217 | 14.5 |
| Highway | 240,910 | 266,109 | 249,367 | 269,589 | 8.1 |
| Other | 331 | 372 | 345 | 374 | 8.4 |
| Totals | $4,156,192 | $4,598,081 | $4,947,672 | $5,610,966 | 13.4 |

The **General Fund** includes 60% of the corporations, personal income and sales taxes (including meals and motor vehicles), plus 100% of all other taxes listed in the Net State Tax Collections Table.

The **Local Aid Fund** consists of 40% of the corporations, personal income and sales taxes (including meals and motor vehicles). The LAF provides financial assistance to the 351 cities & towns and regional school districts.

The **Highway Fund** derives its money from taxes on motor fuels, motor carriers and a 5¢ cigarette tax.

**Other** includes the **Inland Fish and Game Fund** which is financed by a small portion of the State gasoline tax.



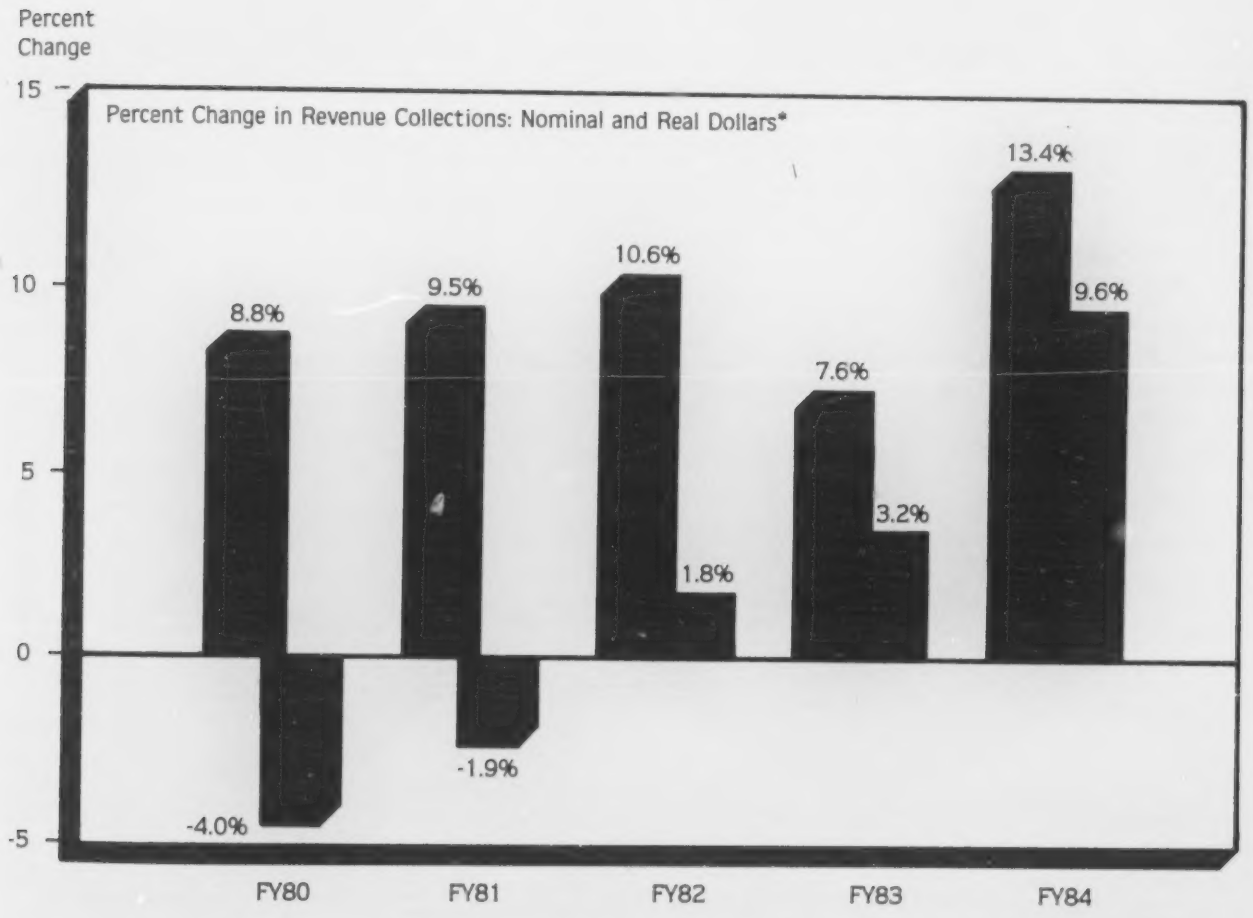

**FY 1984**
- General Fund 62.29%
- Local Fund 32.90%
- Highway Fund 4.80%
- Other 0.01%

# State Revenue Collections

Fiscal Years 1980-1984

Percent Change: Current & Constant Dollars (in Billions)

| Fiscal Year | Current Dollars | % of Change from Previous Year | Constant* Dollars | % of Change from Previous Year |
|---|---|---|---|---|
| 1980 | $3,796 | 8.8 | $1,633 | (4.0) |
| 1981 | $4,156 | 9.5 | $1,602 | (1.9) |
| 1982 | $4,598 | 10.6 | $1,631 | 1.8 |
| 1983 | $4,948 | 7.6 | $1,682 | 3.2 |
| 1984 | $5,611 | 13.4 | $1,844 | 9.6 |




*The nominal dollar figures express collections in actual or current dollars. The real dollar figures express collections in constant dollars by adjusting for annual inflation rates using the CPI-U (BLS and DRI).

NOMINAL

REAL

# Massachusetts State and Local Tax Revenue

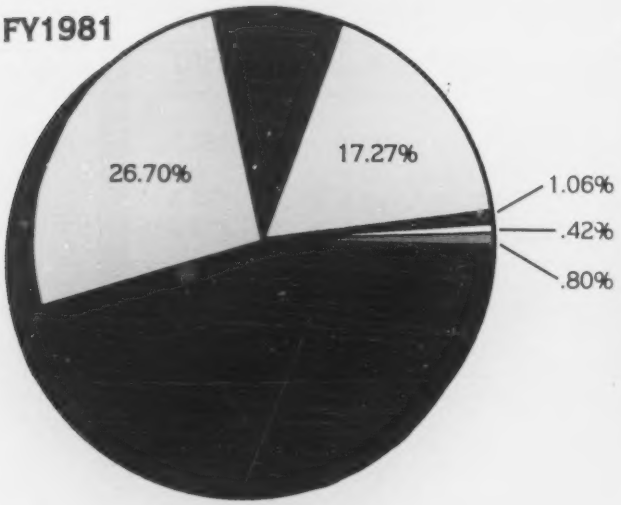
Source and Amount - Fiscal Years 1981-1984 (Add $000)

| TAX SOURCE | FY1981 | FY1982 | FY1983 | FY1984 | % of Change |
|---|---|---|---|---|---|
| **Taxes on Property (Local)** | | | | | |
| Real Estate | $3,070,122 | $2,811,708 | $2,750,078 | $2,755,581** | 0.2 |
| Personal Property | 276,565 | 223,832 | 208,971 | 176,907 | (15.3) |
| Motor Vehicle | 145,104 | 118,311 | 148,722 | 150,305 | 1.1 |
| Totals | $3,491,791 | $3,153,851 | $3,107,771 | $3,082,793 | (0.8) |
| **Tax on Personal Income** | | | | | |
| Totals | $2,057,945 | $2,324,058 | $2,472,264 | $2,790,434 | 12.9 |
| **Taxes on Business** | | | | | |
| Corporations | $ 442,313 | $ 498,055 | $ 506,113 | $ 577,061 | 14.0 |
| Insurance Companies | 114,024 | 122,218 | 134,875 | 134,948 | 0.1 |
| Public Utilities | 17,642 | 30,077 | 40,482 | 52,017 | 28.5 |
| Commercial Banks | 38,856 | 29,385 | 66,358 | 62,527 | (5.8) |
| Savings Banks | 30,622 | 32,552 | 37,603 | 30,375 | (19.2) |
| Cooperative Banks & Savings and Loan Ass'ns | 7,027 | 8,267 | 10,018 | 7,324 | (26.9) |
| Totals | $ 650,484 | $ 720,554 | $ 795,449 | $ 864,252 | 8.6 |
| **Taxes on Commodities Sold** | | | | | |
| Motor Fuels | $ 237,528 | $ 269,239 | $ 250,425 | $ 275,003 | 9.8 |
| Cigarettes | 148,122 | 145,357 | 142,912 | 169,912 | 18.9 |
| Alcoholic Beverages | 84,740 | 84,447 | 82,278 | 83,524 | 1.5 |
| Sales & Use | 704,579 | 753,147 | 865,292 | 1,041,784 | 20.4 |
| Sales, Meals | 155,495 | 164,213 | 186,420 | 206,264 | 10.6 |
| Totals | $1,330,465 | $1,416,403 | $1,527,327 | $1,776,487 | 16.3 |
| **Tax on Estate & Inheritance** | | | | | |
| Totals | $ 82,020 | $ 99,355 | $ 111,850 | $ 127,140 | 13.7 |
| **Tax on Horse & Dog Racing** | | | | | |
| Totals | $ 32,272 | $ 33,271 | $ 35,422 | $ 36,828 | 4.0 |
| **Miscellaneous Taxes** | | | | | |
| Room Occupancy | $ 22,089 | $ 24,290 | $ 27,510 | $ 32,225 | 17.1 |
| Deeds Stamp | 12,967 | 12,492 | 15,397 | 25,030 | 62.6 |
| Beano | 4,694 | 4,982 | 5,277 | 5,376 | 1.9 |
| Club Alcoholic Beverage | 7 | 612 | 431 | 238 | (44.8) |
| Motor Vehicle | 468 | 318 | 422 | 487 | 15.4 |
| Raffles & Bazaars | 813 | 1,029 | 959 | 1,009 | 5.2 |
| Urban Redevelopment | 20,171 | 25,762 | 28,225 | 28,489 | 0.9 |
| Totals | $ 61,209 | $ 69,485 | $ 78,221 | $ 92,854 | 18.7 |
| **ALL TAXES** | | | | | |
| TOTALS | $7,706,186 | $7,816,977 | $8,128,304 | $8,770,788 | 7.9% |

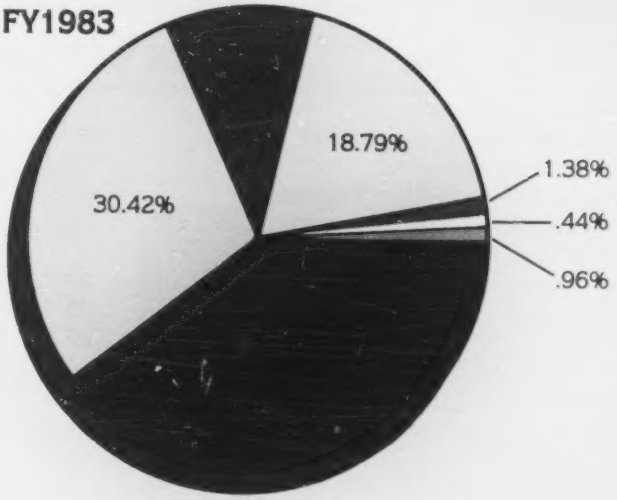
* Because of rounding, detail may not add to Totals

** As this document went to print, 7 towns have not reported FY1984 property tax collections. The DOR has estimated the collections for the purposes of this comparison.

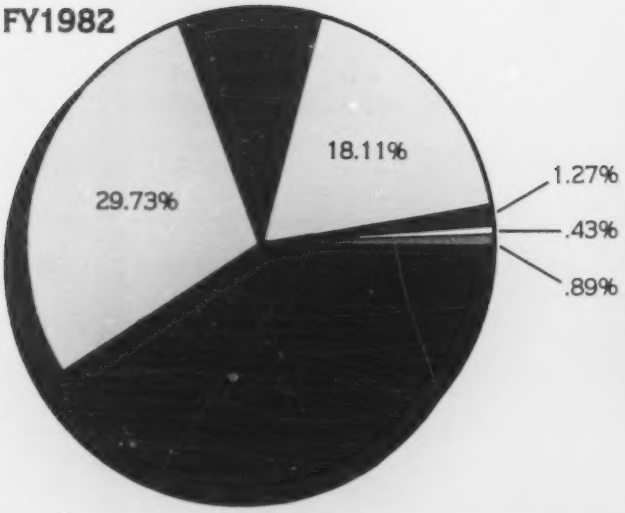
FY1981



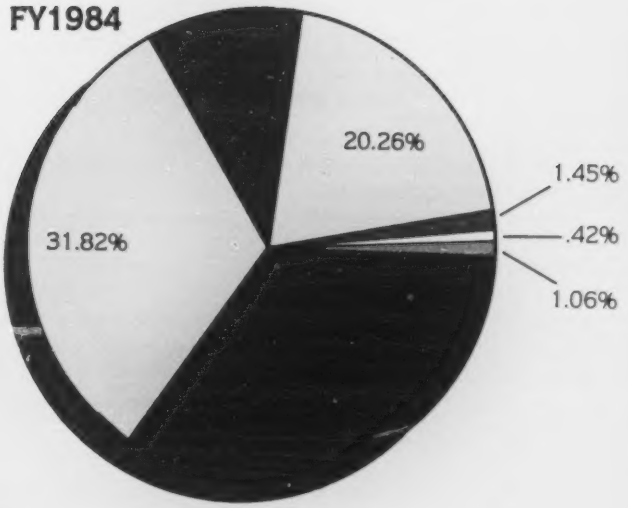

FY1983




FY1982




FY1984




**% of Total Revenue**

- Taxes on Property (Local)
- Tax on Personal Income
- Taxes on Business
- Taxes on Commodities Sold
- Tax on Estate & Inheritance
- Tax on Horse & Dog Racing
- Miscellaneous Taxes

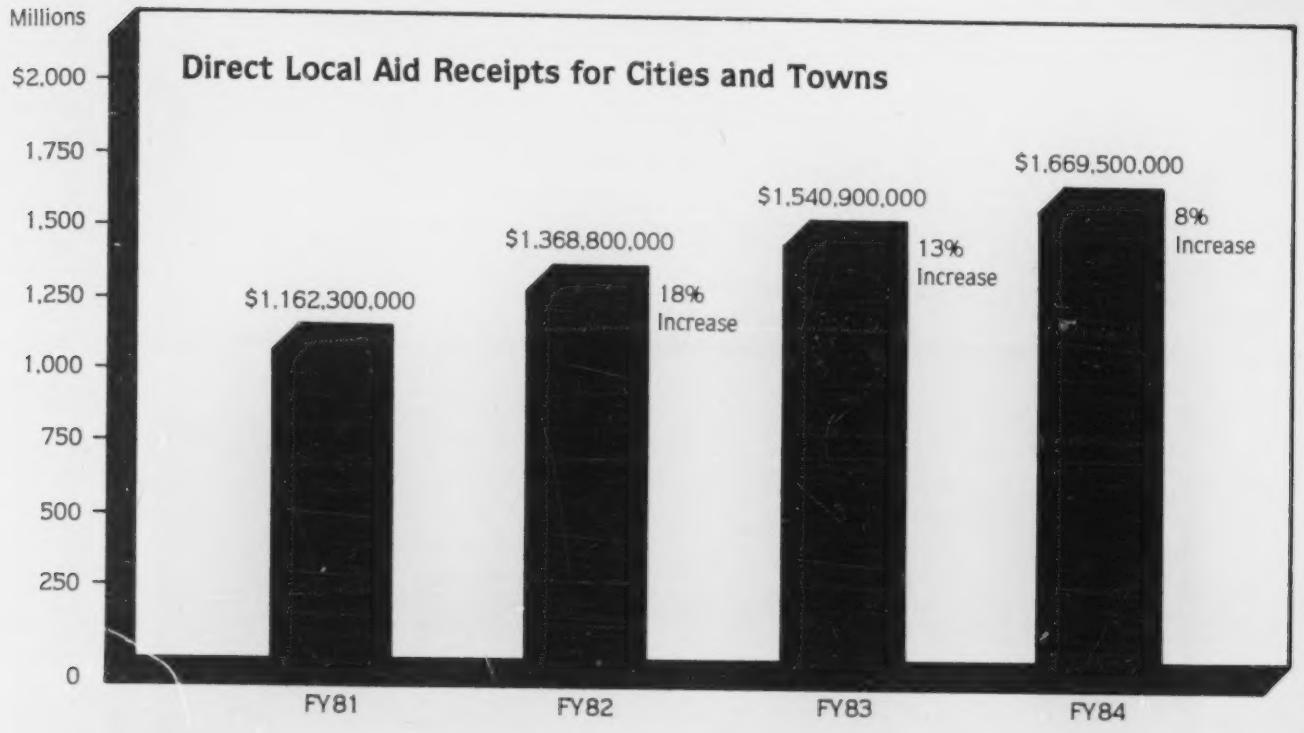
# Local Aid Receipts for Cities, Towns and Regional School Districts

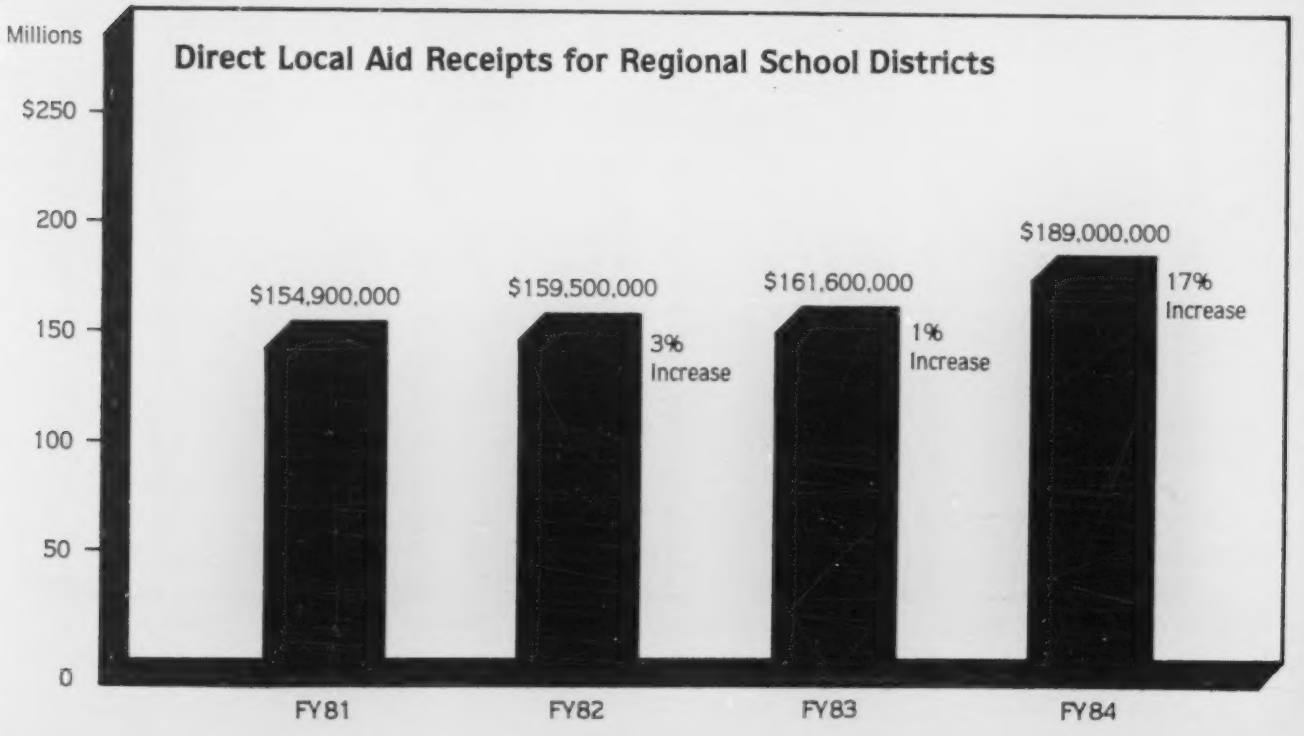
Fiscal Years 1981-1984 (in Millions of Dollars)

| ITEM Receipts | FY1981 | FY1982 | FY1983 | FY1984 | $ Change |
|---|---|---|---|---|---|
| **CITIES AND TOWNS** | | | | | |
| Reimbursements | | | | | |
| Loss of Taxes, 7 programs | $31.4 | $31.5 | $28.7 | $31.2 | $2.5 |
| Veterans' Benefits | 8.8 | 6.9 | 10.7 | 6.2 | (4.5) |
| Pensions to Retired Teachers | 18.0 | - | 20.5 | 22.5 | .2 |
| Urban Renewal, 2 programs | 3.2 | 3.3 | 1.6 | 1.0 | (0.6) |
| School Transportation, 5 programs (4 in FY'80) | 40.2 | 55.3 | 54.3 | 58.1 | 3.8 |
| Public Libraries, 2 programs | 5.3 | 6.8 | 7.0 | 7.4 | 0.4 |
| School Construction & Repair | 99.2 | 90.2 | 87.0 | 79.2 | (7.8) |
| Racial Imbalance, 3 programs | 14.7 | 15.2 | 15.3 | 17.0 | 1.7 |
| School and Elderly Lunch | 5.5 | 4.3 | 5.4 | 5.2 | (0.2) |
| Highway & Transit, 2 programs | 21.0 | 21.0 | 21.0 | 21.0 | - |
| Residential School Costs | - | 6.0 | 5.9 | 6.2 | 0.3 |
| Other, 7 programs (6 in FY'82 & FY'83) | 8.0 | 9.0 | 15.9 | 13.9 | (2.0) |
| Total Reimbursements* | $255.1 | $249.5 | $273.3 | $268.9 | $(4.4) |
| Distributions | | | | | |
| School Aid, Chapter 70, as amended (including prior year adjustments) | $650.0 | $640.4 | $639.4 | $759.9 | $120.5 |
| Lottery, Beano, etc. | 73.8 | 85.6 | 97.0 | 96.8 | (0.2) |
| Additional Assistance | 143.0 | 348.0 | 483.3 | 485.7 | 2.4 |
| Highway Fund | 19.7 | 24.0 | 23.7 | 23.5 | (0.2) |
| Urban Redevelopment Excise | 20.7 | 21.3 | 21.6 | 28.3 | 6.7 |
| Boston Funding Loan Act | - | - | 2.6 | 6.4 | 3.8 |
| Total Distributions | $907.2 | $1,119.3 | $1,267.6 | $1,400.6 | $133.0 |
| **TOTAL RECEIPTS—CITIES & TOWNS** | $1,162.3 | $1,368.8 | $1,540.9 | $1,669.5 | $128.6 |
| **REGIONAL SCHOOL DISTRICTS** | | | | | |
| Reimbursements | | | | | |
| Regional School District Aid | $42.7 | $42.7 | $45.8 | $47.6 | $1.8 |
| School Transportation | 11.0 | 16.9 | 15.4 | 21.9 | 6.5 |
| School Construction & Repair | 22.1 | 19.8 | 19.3 | 14.5 | (4.8) |
| Residential School Costs | - | .5 | .5 | .9 | 0.4 |
| Other, 5 programs | 3.4 | 3.5 | 3.7 | 3.9 | 0.2 |
| Total Reimbursements | $79.2 | $83.4 | $84.7 | $88.8 | $4.1 |
| Distributions | | | | | |
| School Aid, Chapter 70, as amended (including prior year adjustments) | $75.7 | $76.1 | $76.9 | $100.2 | $23.3 |
| TOTAL RECEIPTS - REGIONS | $154.9 | $159.5 | $161.6 | $189.0 | $27.4 |
| TOTAL DIRECT AID | $1,317.2 | $1,528.3 | $1,702.5 | $1,858.5 | $156.0 |
| **INDIRECT LOCAL AID** | $123.3 | $353.6 | $364.8 | $428.5 | $63.7 |
| TOTAL AID Cities, Towns, Regional School Districts & Locally Related | $1,440.5 | $1,881.9 | $2,067.3 | $2,287.0 | $219.7 |

* Includes highway fund aid, G.L. 90, for cities and towns, which in 1980 was included in total estimated receipts, 1981, $18.1; 1982, $20.9; 1983, $21.0.

* Indirect Local Aid figures, $85.6 for FY 1982 and $86.8 for FY 1983 reflect actual total expenditure of accounts as reported in House I budgets for FY 1982 and FY 1983.

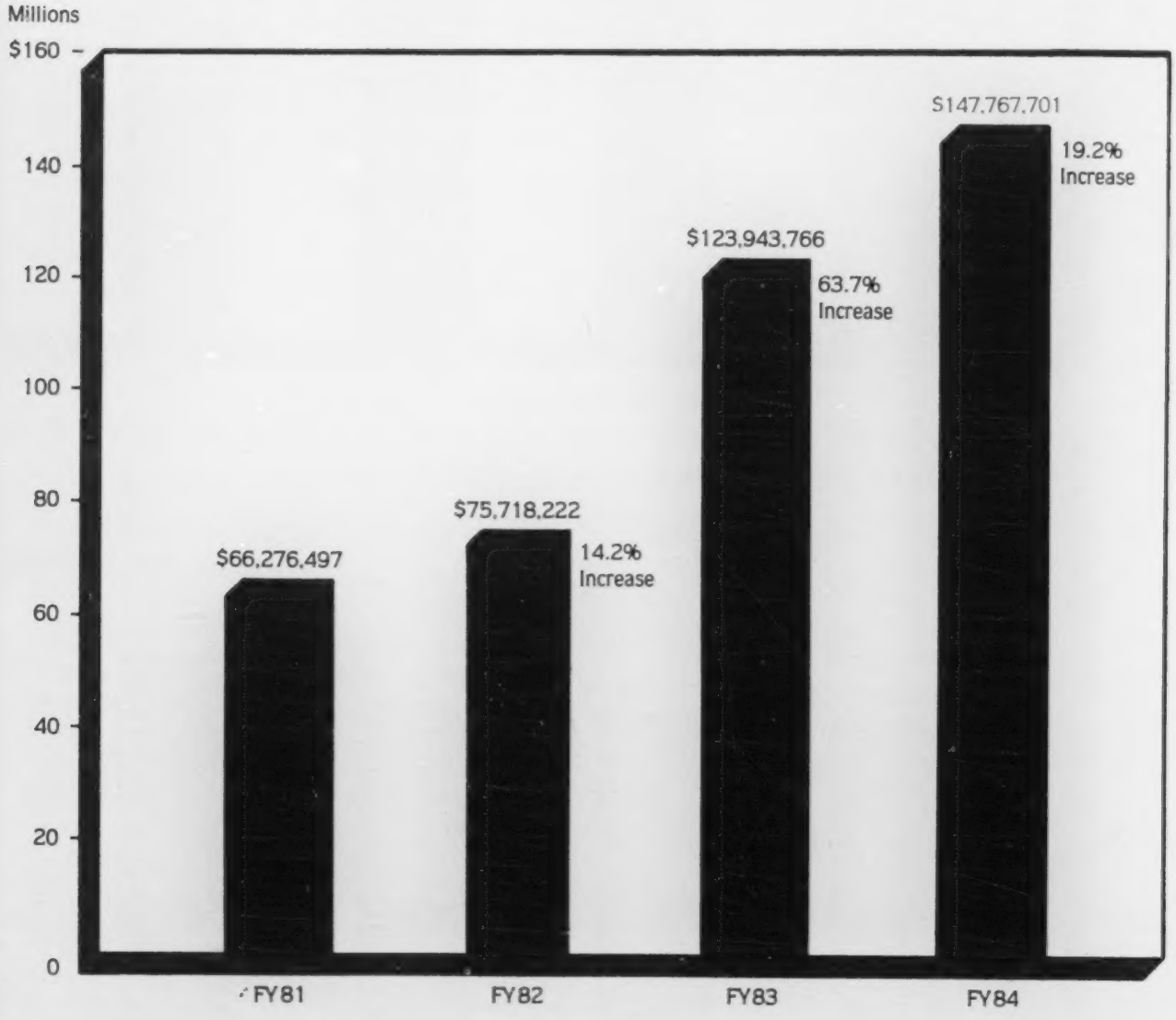

Millions
$2,000
1,750
1,500
1,250
1,000
750
500
250
0
Direct Local Aid Receipts for Cities and Towns
$1,162,300,000
$1,368,800,000
18% Increase
$1,540,900,000
13% Increase
$1,669,500,000
8% Increase
FY81
FY82
FY83
FY84


Millions
$250
200
150
100
50
0
Direct Local Aid Receipts for Regional School Districts
$154,900,000
$159,500,000
3% Increase
$161,600,000
1% Increase
$189,000,000
17% Increase
FY81
FY82
FY83
FY84

## Audit Assessments*

Fiscal Years 1981, 1982, 1983 and 1984

| Fiscal Year | Amount | % Change |
|---|---|---|
| 1981 | $66,276,497 | |
| 1982 | $75,718,222 | 14.2% |
| 1983 | $123,943,766 | 63.7% |
| 1984 | $147,767,701 | 19.2% |

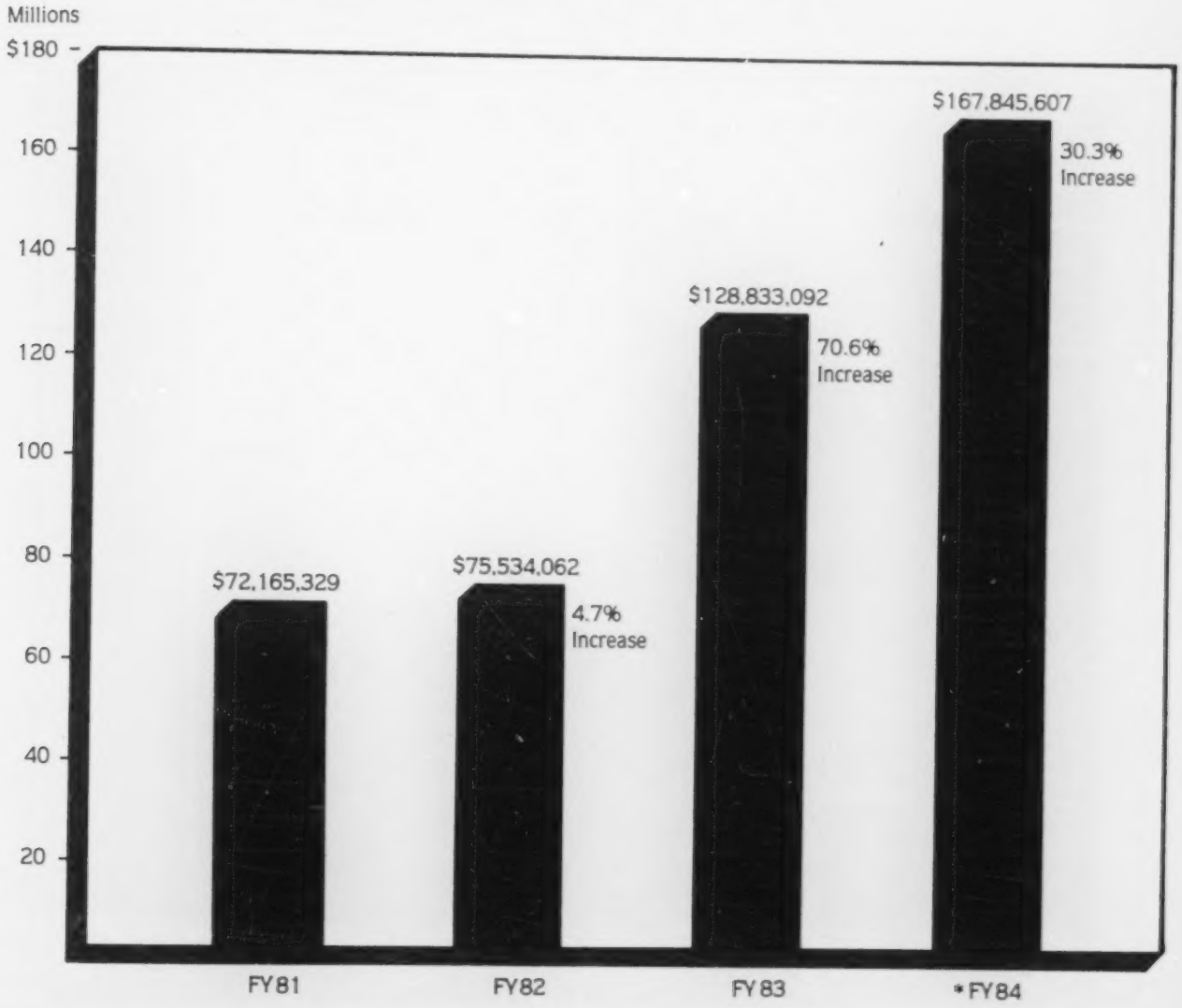



* Figures include assessments from the Audit Bureau, the Multistate offices, and the Estate Bureau (special settlements and overtime project only).

# Collection of Delinquent Taxes

Fiscal Years 1981, 1982, 1983 and 1984

| Fiscal Year | Amount | % Change |
|---|---|---|
| 1981 | $72,165,329 | |
| 1982 | $75,534,062 | 4.7% |
| 1983 | $128,833,092 | 70.6% |
| 1984 | $167,845,607 | 30.3% |

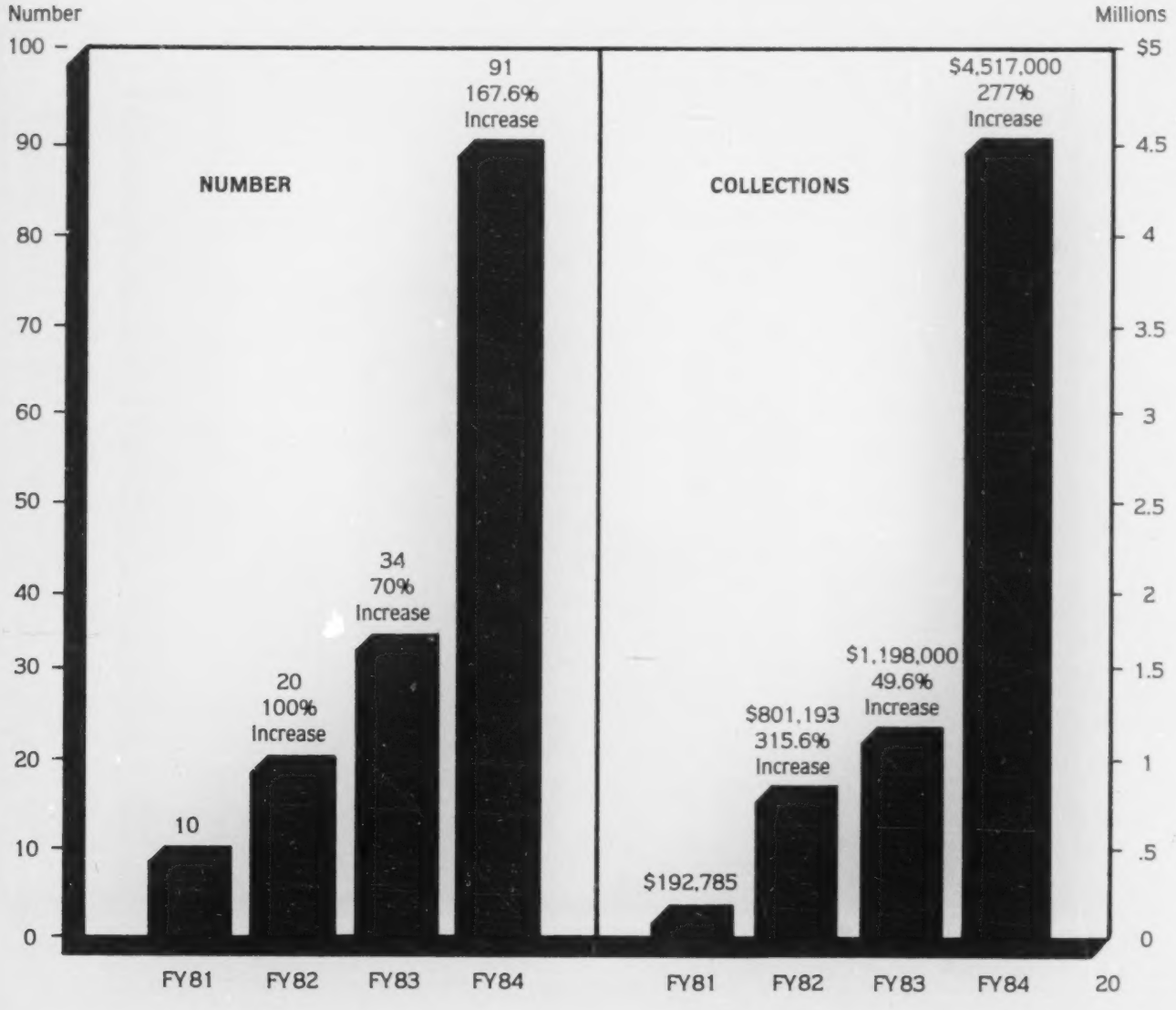



* 1984 Figure Includes Amnesty Payments

## Department of Revenue Seizures

Fiscal Years 1981, 1982, 1983 and 1984

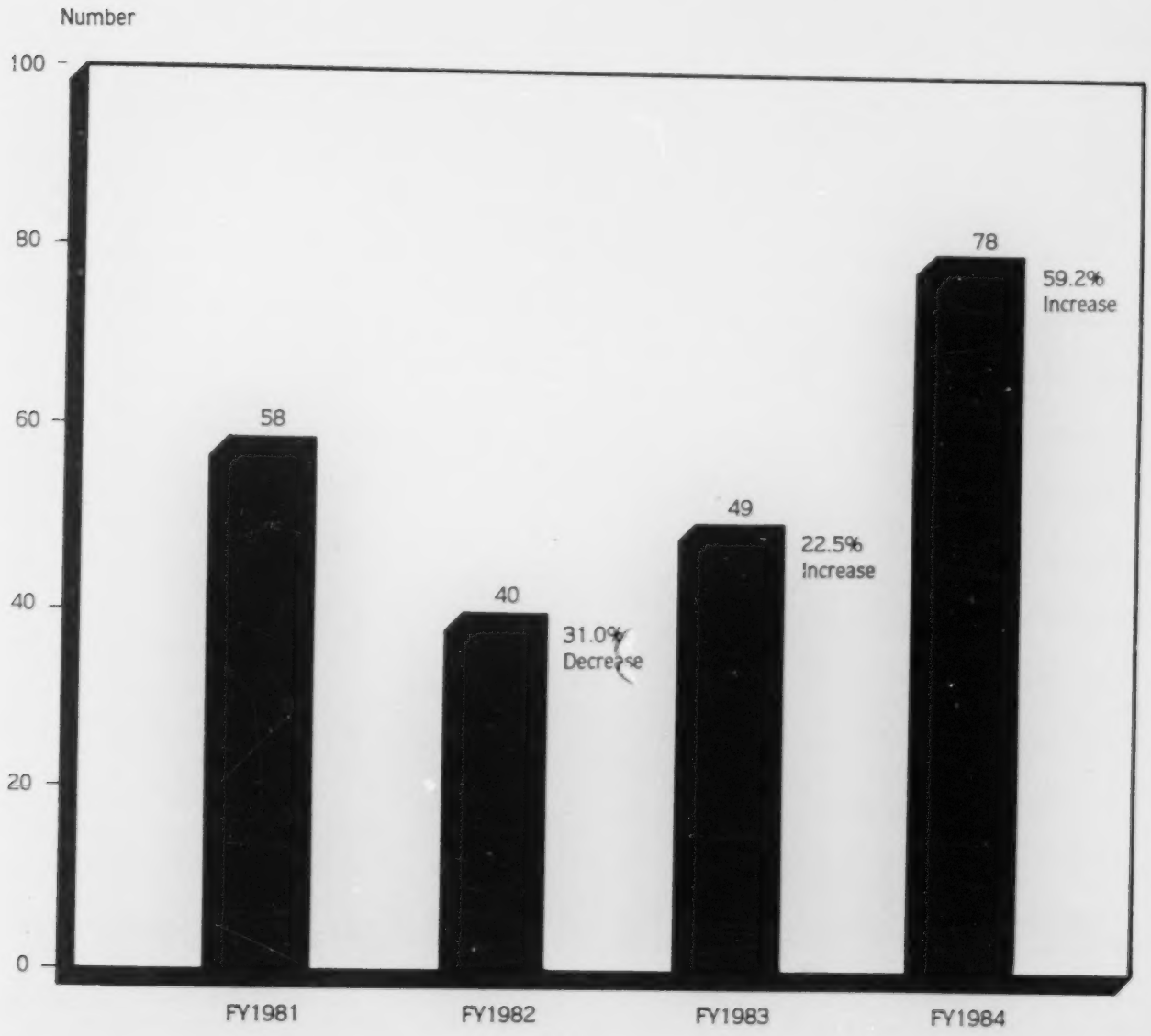
| Fiscal Year | Number | % Change | Collections | % Change |
|---|---|---|---|---|
| 1981 | 10 | | $192,785 | |
| | | 100.0% | | 315.6% |
| 1982 | 20 | | $801,193 | |
| | | 70.0% | | 49.6% |
| 1983 | 34 | | $1,198,000 | |
| | | 167.6% | | 277.0% |
| 1984 | 91 | | $4,517,000 | |



# Criminal Referrals to the Attorney General

Fiscal Years 1981, 1982, 1983 and 1984

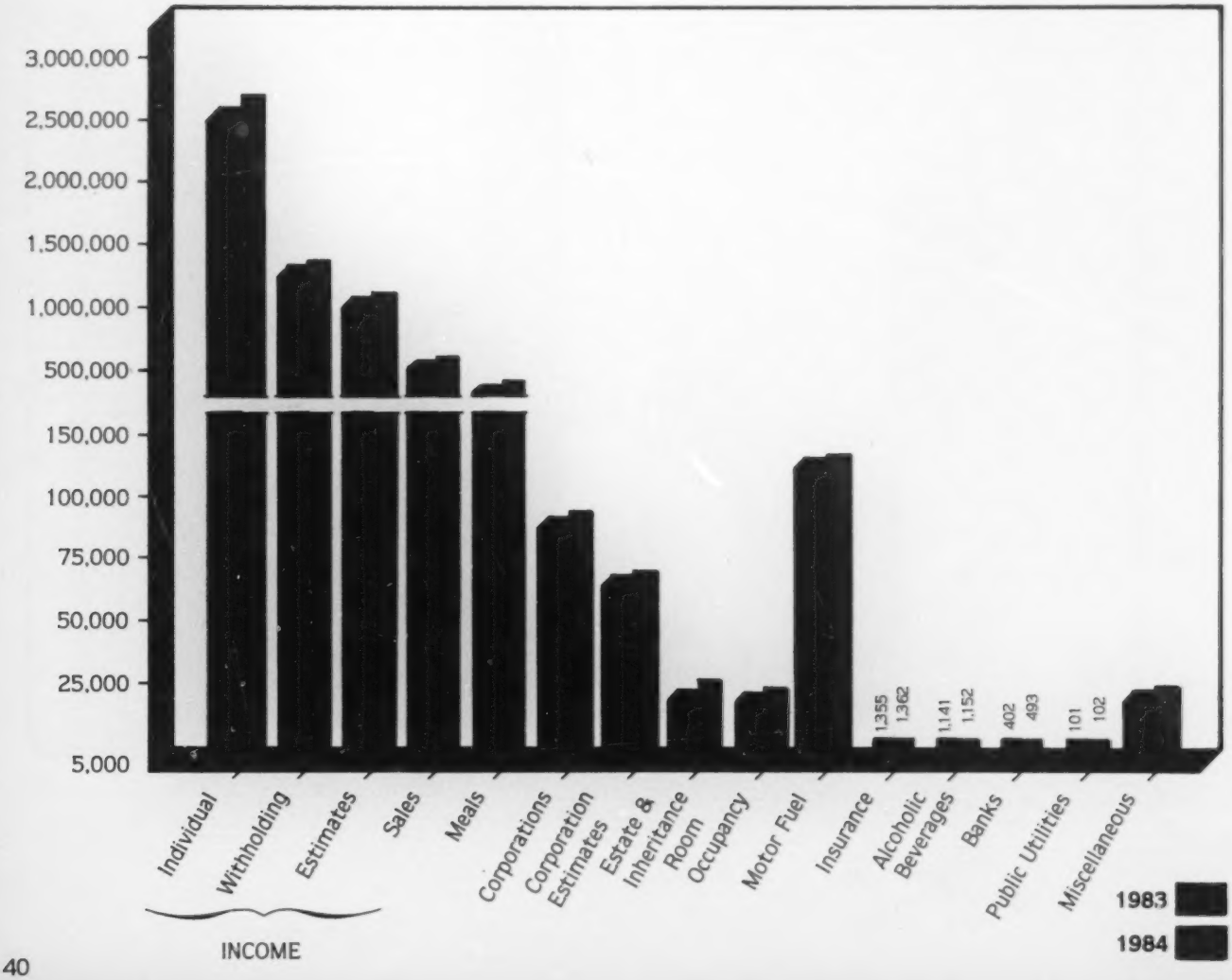
| Fiscal Year | Number | % Change |
|---|---|---|
| 1981 | 58 | |
| 1982 | 40 | (31.0%) |
| 1983 | 49 | 22.5% |
| 1984 | 78 | 59.2% |



## Number of Tax Returns Filed by Type of Tax or Excise

Calendar Years 1983 & 1984

| Tax or Excise | 1983 | 1984 |
|---|---|---|
| Income: | | |
| Individual, Fiduciaries, Partnerships | 2,589,424 | 2,667,000 |
| Withholding | 1,322,050 | 1,348,224 |
| Estimates | 1,152,524 | 1,180,000 |
| Sales | 572,426 | 594,240 |
| Meals | 234,222 | 248,332 |
| Corporations | 92,240 | 94,348 |
| Corporation Estimates | 68,241 | 68,992 |
| Estate and Inheritance | 23,710 | 27,995 |
| Room Occupancy | 22,152 | 23,172 |
| Motor Fuel | 136,822 | 137,536 |
| Insurance | 1,355 | 1,362 |
| Alcoholic Beverages | 1,141 | 1,152 |
| Banks | 402 | 493 |
| Public Utilities | 101 | 102 |
| Miscellaneous | 22,750 | 23,000 |



This Annual Report was only one of the many projects Edgar McHale, Director of Publications, was producing before his recent death. Those of us at the Department of Revenue miss his expertise and his friendship.

# NOTE

Some charts and graphs were color-coded in the original document. While it has not been possible to reproduce these items in color, their equivalent values on the black-and-white scale are often distinct enough to convey the same information as the original colors.

Congressional Information Service, Inc.
Washington D.C.

Commonwealth of
Massachusetts

# MASS. DOR

(Department of Revenue)

# 1984-1985 ANNUAL REPORT

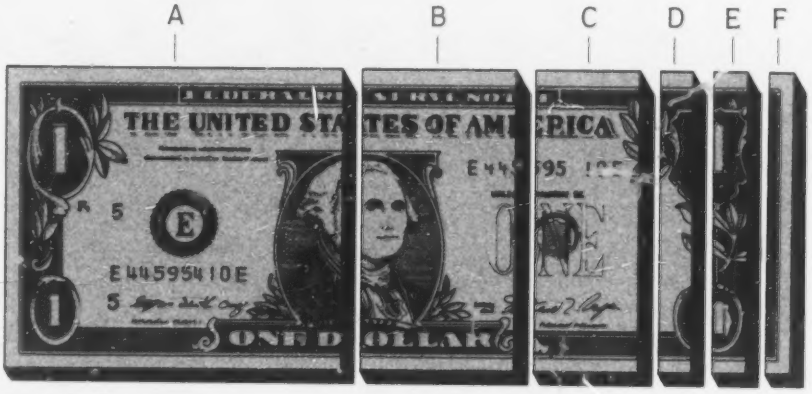
IRA A. JACKSON
Commissioner

FRANK T. KEEFE
Secretary
Administration and Finance

MICHAEL S. DUKAKIS
Governor

# Your State Tax Dollar

## Where It All Comes From...




A INCOME TAX 49¢
B SALES TAX 22¢
C CORPORATE EXCISES 15¢
D GAS TAX 5¢
E OTHER TAXES 5¢
F CIGARETTE & ALCOHOLIC BEVERAGE 4¢

## What It's All For...

A LOCAL AID 36¢
B HUMAN SERVICES 33¢
C EDUCATION 10¢
D DEBT SERVICE 8¢
E CRIMINAL JUSTICE & PUBLIC SAFETY 6¢
F INFRASTRUCTURE, ENVIRONMENT & ECONOMIC DEVELOPMENT 5¢
G GENERAL GOVERNMENT 2¢

# 1984-1985

# Annual Report

Commonwealth of Massachusetts

## MASS. DOR

(Department of Revenue)

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Secretary
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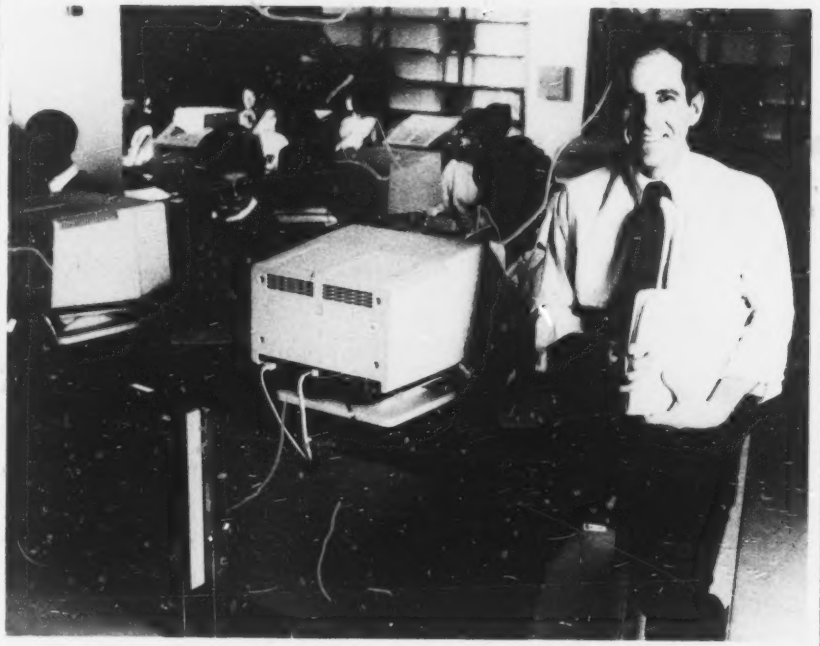
Governor

# Letter From The Commissioner



**To The Honorable Michael S. Dukakis**
**Governor of the Commonwealth**
**and The Honorable Members of the**
**General Court of Massachusetts:**

I am proud to submit to you this Annual Report of the Department of Revenue for the year 1984-1985. I do so on behalf of all 2,100 Department employees who are responsible for the accomplishments cited herein.

We are an agency to which much power has been given by you, our Governor and the members of the Legislature. As a result, much was rightly expected. As will be documented on these pages, even more than was expected has been delivered — for the benefit of the Commonwealth, its 351 cities and towns, and the public at large.

There were many significant issues and developments in the course of the year which deserve comment, and they are all covered in the main report. Three stand out which I want to highlight here — the surprising revenue total, the role of voluntary compliance in achieving that new collection peak, and the increasing emphasis on prompt and professional service for the honest taxpayers who form the financial base for all that State government does.

We started Fiscal 1985 with a commitment to collection of $6.034 billion, an increase of 7.5%, or $423 million, over the prior year. When the books were closed at year's end, revenue collections totaled $6.370 billion, an increase of 13.5%, or $759 million. That came on top of a similar 13.4% jump in 1984. It was achieved with no increase in taxes. It far exceeded what could be attributed even to the booming growth in the Massachusetts economy. It benefited not just the State

but local governments, which received a $360 million increase in direct and indirect aid, or 36 cents of every tax dollar we collected.

Once again in Fiscal 1985 the Department conducted a broad-range program of tax-law enforcement. That included an increased and more sophisticated audit presence both here and across the country, a record number of seizures of the property of tax delinquents, and formation of a new coalition of DOR investigators, police and prosecutors to pursue tax evaders. The year's revenue growth, however, also exceeded what could be directly attributed even to all those vigorous enforcement efforts.

The final critical element in our Fiscal 1985 revenue total was increased voluntary compliance — more and more individuals and businesses paying their taxes in full before they were detected, audited, billed or prosecuted. The dollars involved couldn't be predicted in advance. They can't be neatly measured even in retrospect. We estimate the added revenue involved to be $331 million. That came on top of a $233 million base built upon Amnesty and other increased voluntary payments the year before, which we retained in the base for Fiscal 1985. Thus there was a two-year total in voluntary compliance of $564 million — over a half billion dollars.

In brief, the best news of all is that Massachusetts has turned the tide of tax-law non-compliance. Over the past two years, when law changes are considered, more than 200,000 new taxpaying individuals and families are now filing and paying without need for intervention. And, whether they realized it or not, the money collected this way was money saved for honest taxpayers, our "customers."

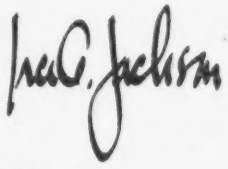
Taxpayers benefited directly or indirectly as well from a wide range of programs provided or directed by our Division of Local Services. Development was initiated during Fiscal 1985 on a Computer Assisted Mass Appraisal or CAMA System to help assure that the property tax equity achieved in revaluation is maintained at minimum cost. Fifty-four communities were assisted in a pilot project designed to convert all local accounting systems to new professional standards. The "Cherry Sheet" information on local aid was distributed earlier and with more detail to more State and municipal officials than ever before.

We have also shown our concern for and accountability to the general taxpaying public through direct service improvements. Following up on the introduction of the simplified Form ABC the previous year, for the first time in almost two decades we completely redesigned and rewrote Form 1. We expanded our Taxpayer Assistance program to help over 500,000 citizens during the filing season. We committed ourselves to an extraordinary four-week turnaround on refunds for early filers and — through the commitment of hundreds of DOR employees in a score of bureaus who all pulled together in a dramatic display of synchronized teamwork — we ended up providing that level of service — or better — for 90% of those filing right up to the April deadline. Most refunds went out in less than twenty days; some went out in less than a week.

Best of all, many people took the time to write and tell us they appreciated what we had done for them. Through this report we are happy to share that appreciation with you.

In the field of public service, there are always more problems to be solved, more projects to be done. But with the base of support you have given us and the staff we have developed, we are confident we will keep moving ahead in the year to come with a strengthened sense of mission and a renewed feeling of commitment and accomplishment.

Respectfully,



Ira A. Jackson
Commissioner of Revenue

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# Fiscal Year 1985 Highlights

- Total revenue collections for the year were $6.370 billion, an increase of 13.5% over Fiscal 1984. Total revenue growth reached 28.7% over the past two years.
- Voluntary compliance has increased over the past two years a total of $564 million — a $233 million base established in Fiscal 1984, repeated again this year, with $98 million in new revenue from increased voluntary compliance in Fiscal 1985.
- A pledge of a refund within four weeks for early filers was printed on the income tax forms. The pledge was not only met, but exceeded: 90% of those who filed by April 16 received their refunds in three weeks or less. Most refunds went out in less than 20 days; some went out in less than a week.
- The complex personal income tax Form 1 was revised and rewritten for the first time in nearly two decades. Thresholds for Form ABC were raised from $40,000 to $60,000, expanding eligibility to nearly 2 million taxpayers.
- A new Small Business Corporations form was developed for smaller firms with gross sales and income under $500,000.
- Over half a million taxpayer questions were answered by our Taxpayer Assistance Bureau during the filing season.
- Tax forms were available in 1,300 locations during the filing season for the first time; taxpayer assistance outreach activities directly reached more than 250 different communities.
- The Instate Audit Bureau increased production in Fiscal 1985 by 19% to $109.1 million, more than double what was assessed just four years ago. Corporate field audits increased by 30% to $22 million.
- Multistate Offices in five major cities across the country identified $46.8 million in unpaid taxes; actual collections on audits were almost $21 million. Some 115 corporations were identified as failing to report or pay taxes totaling $2.8 million; fourteen were Fortune or Forbes 500 companies or affiliates. Audit assessments in our New York City office averaged $1.9 million per professional employee.
- Fiscal 1985 Compliance Bureau collections came to $120.3 million. Of that, $18.2 million was received from the windup of the Amnesty program.
- The 150 seizures in Fiscal 1985 showed a 65% increase over the previous year. Over 300 other delinquents whose cases had been referred to the Seizure Unit paid up after receiving 10-day warning notices.
- The Bankruptcy Unit collected $6.9 million from taxpayers claiming bankruptcy, a 39% increase over last year.
- Cooperation with federal, state and local law enforcement agencies helped bring new, major, high-impact criminal cases to court. One involved a fraudulent refund ring, the second was an investigation of corruption in a county government office, and the third was of a computerized betting ring.
- The longest jail sentence in Massachusetts history for State tax evasion was handed down to a restaurateur; a merchant convicted of multiple violations received the highest fine ever for a State tax crime.
- The Natick Regional (128/495) Office was opened both for taxpayer assistance and as a laboratory for new audit and compliance techniques. All these activities were aimed at promoting Maximum Achievable Compliance (MAC). Some $15.2 million was assessed by the end of the fiscal year, despite the start of operations halfway through the year.
- Project Clean Sweep, conducted by the Natick Office, was a street-by-street search of over 4,000 businesses. Some $3 million in taxes due was discovered; $550 was collected for every hour invested. Investigations of taxpayers living along the State's borders identified an additional $1.7 million.
- The Computer Assisted Mass Appraisal (CAMA) System development was begun to help maintain the property tax equity achieved in revaluation of our cities and towns at a minimum cost.
- Fifty-four communities were converted to a Uniform Municipal Accounting System (UMAS) in a pilot program.
- The annual Cherry Sheet aid packages were distributed to Massachusetts city and town officials earlier and with more detail than ever before.
- Department officials completed a two-year audit of the practices of the Somerville Board of Assessors. Within four months of the December release of the final report, legislation was passed requiring complete change in the structure and membership of the Board.

# Introduction

Hard work by dedicated employees, using expanded computer technology and pursuing a balanced strategy of service improvements and tough enforcement, paid handsome dividends for the taxpayers of Massachusetts. That is a capsule summary of the Revenue Department story for Fiscal 1985.

Total revenue collections for the year were $6.370 billion, an increase of 13.5% over Fiscal 1984 with no increase in tax rates. That total far exceeded what could be explained by inflation or growth in personal income and spending, even with the booming Massachusetts economy.

Once again, as in Fiscal 1984, one of the key factors in the year's surprising revenue total was an increase in voluntary compliance. That closing of the State's "tax gap" — the reversal of a growing evasion trend nationally — may well be the best news of the entire year.

The Department distributed record local aid revenues and reached out in a variety of new ways to help cities and towns help themselves and their taxpayers.

The improved enforcement and service efforts during Fiscal 1985 were possible because the employees on the line were better trained for their jobs. An increase in automation and technical tools also contributed to greater productivity.

Those are the year's highlights. Now let's look at the details.

SEIZED
ANY PERSON WHO ATTEMPTS TO TAMPER OR INTERFERE WITH THIS PROPERTY WILL BE PROSECUTED TO THE FULL EXTENT OF THE LAW.

**Note on Methodology:**

To maintain accurate year-to-year comparability, statistics contained herein reflect the results of management analysis and internal audits as of January 1986.

# An Insurance Policy for Honest Taxpayers

Tough and highly visible enforcement against both tax delinquents and evaders continues to be a major strategy in the Revenue Department's efforts to increase collections and spur voluntary compliance. Clearly the strategy is working.

The original increase in revenues estimated for Fiscal 1985 was 7.5%. That estimate was raised three times during the year as additional revenues poured in. The final collection figure of $6.370 billion was up 13.5%. And that came on top of a 13.4% increase in Fiscal 1984.

The total revenue growth, 28.7% over two years, cannot be fully explained by inflation, growth in gross national product or even the spinoff from the surging Massachusetts economy. The other key factors were increases in voluntary compliance and increases directly related to enforcement activities.

It's important to note that enforcement efforts have a dual impact on the bottom line at the Department of Revenue. First, revenues are collected as a direct result of an enforcement action. A business of a major tax delinquent is seized, for example, and the bill is finally paid.

Second, and probably more importantly, enforcement actions have an indirect impact on the amount of taxes that are paid voluntarily. The owner of the store down the street from the seized business, for example, decides to turn over his sales tax collections on time and in full because he is convinced that he will be caught and penalized if he doesn't. And the merchant who has been filing and paying (and probably at a competitive disadvantage to the delinquent or evading neighbor) feels the system is a little fairer and will likely maintain good behavior.

This secondary deterrent effect of enforcement efforts is extremely difficult to quantify. (See the separate section on increased voluntary compliance.) The focus in this section is on directly measurable enforcement actions and collections.

## Delinquent Tax Collections

For the third straight year in Fiscal 1985 compliance or delinquent tax collections were over $100 million — above and beyond the $84 million in revenue through year end from the one-time Amnesty program. The totals for Fiscal 1983 through 1985 were 64% above those for the previous three years, again after discounting Amnesty. The Fiscal 1985 total from the Compliance Bureau alone was $120.3 million, with $17.01 million of that from the windup of Amnesty.

## Seizures

The most visible of the Department's collection activities was the seizure program — the taking of properties of major tax delinquents. Special targets in that program were business operators who collected "trustee" taxes from customer sales and employee wages and then failed to turn that money over to the State — the moral and financial equivalent of unarmed robbery.

There were 150 seizures during Fiscal 1985, an increase of 65% in such activity over the previous year, a jump of 341% over 1983, when there were 34 properties taken. The seizure list for 1985 includes 46 eating establishments, 23 bars and lounges, 13 retail outlets, ten manufacturing and industrial plants and six construction firms. In addition, 12 vehicles, 11 boats, along with a variety of other commercial and personal properties were seized — including a shipment of luxury wines, liquors and a 75 foot crane.

With the Department's brightly colored seizure signs posted on buildings and land across the State, and stories about the takings appearing regularly in the media, it was plain the Department meant business. Over 300 other delinquents whose cases had been referred to the Seizure Unit paid up after receiving 10-day warning notices.

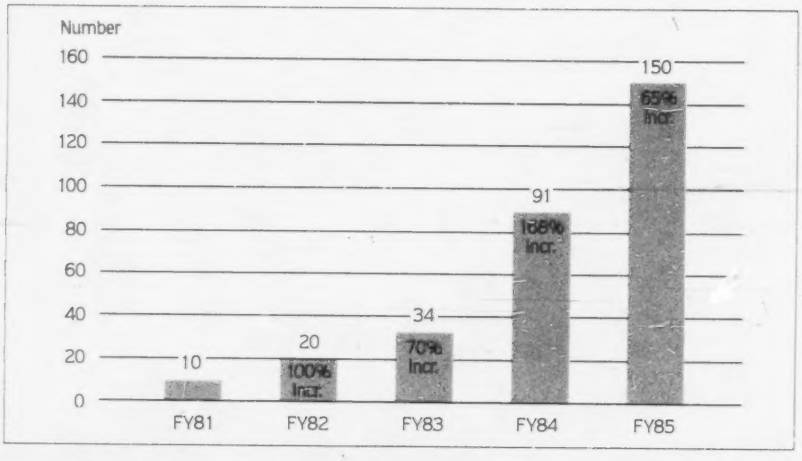
Total revenues from the Seizure program for the year exceeded $7.5 million, an increase of $3 million, or 67%, above Fiscal 1984. And, clearly, the message of tough enforcement conveyed by seizure activity helped spur other collections, as well as stimulating increased voluntary compliance.

## Criminal Prosecution

High-visibility enforcement includes criminal investigations, a program with marked new emphasis at the Department.

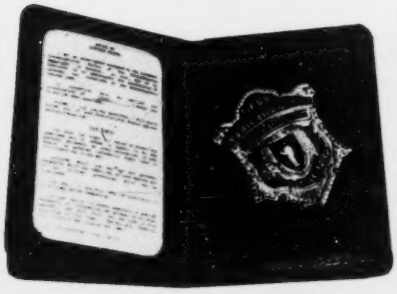
## Seizures

| Fiscal Year | Number | % Change |
|---|---|---|
| 1981 | 10 | |
| 1982 | 20 | 100% |
| 1983 | 34 | 70% |
| 1984 | 91 | 168% |
| 1985 | 150 | 65% |




The focus has been changed from simple tax collection to bringing tax criminals to justice. Much of the work of the Criminal Investigations Bureau has centered on developing so-called "impact" cases, actions designed to be behavior modifying. Voluntary compliance is encouraged by impressing upon potential evaders the serious and growing risks they are courting.

In Fiscal 1985 a conscious effort was made to reach out to cooperate with federal, state and local law enforcement agencies. And that paid off for all concerned, except the people indicted.



Three major cases during the year reflected the success of that cooperation. One of the first cases brought under the 1983 REAP statute making tax crime a felony involved a South Attleboro man charged with operating a fraudulent refund ring. Development of that case stemmed from cooperation with the Rhode Island Police, the Attleboro City Police, the Internal Revenue Service and the United States Postal Service.

The cooperative efforts ran both ways. During the year, Department investigators took part in developing two major criminal cases which prosecutors said could not have been successful without DOR's participation. One involved alleged corruption in the office of the Norfolk County Treasurer. Months of research into tax files, county records and business operations resulted in the indictment of the incumbent on charges of tax evasion and alleged misconduct.

In another case in Boston, DOR investigators worked with the Suffolk County District Attorney to indict the principals of a highly sophisticated, high-tech computerized sports betting ring on charges of tax evasion and illegal gaming.

CIB investigators worked with state and local law enforcement agencies in Massachusetts and along the Eastern seaboard to identify cigarette tax evaders. These efforts resulted in 6 cigarette tax evasion prosecutions. CIB also initiated a number of special projects to identify and investigate areas of suspected high evasion. These included the so-called "Northern Lights" and "Southern Lights" projects, which focused on individual income tax evasion along Massachusetts' borders. Several cases from these projects were referred for prosecution.

No cases have yet been disposed of under the new 1983 felony statute. But with the development of higher quality cases and emphasis on the stiffer penalties to come, acceleration of the pace of legal activities and growing awareness of the seriousness of tax crime, significant changes in sentencing have already begun taking place.

Fiscal 1985 represents a historic watershed year in the development of a sophisticated, serious, and credible criminal investigations program in Massachusetts. The longest jail sentence in Massachusetts history for State tax evasion was handed down to a restaurateur. In addition, a merchant convicted of multiple violations was given the stiffest fine ever for State tax crime.

The total of fines collected during Fiscal 1985 was $39,250, an increase of 138% over 1984. Court-ordered restitution rose 25% in the year to a new high of $902,900. CIB referred 29 cases to the Attorney General for prosecution.

The growing sophistication and success of the Criminal Investigations program reflected new leadership and expanded staffing in the Bureau. Thomas C. Mennitt, a veteran of 24 years with the Internal Revenue Service, joined the Department in November, 1984, as Chief of Bureau. At the time of his appointment, he was Group Manager for IRS Criminal Investigations Division in Springfield. He had worked previously with the IRS in Burlington, Vermont; Nashville, Tennessee, and Miami and Fort Myers, Florida.

During the year the Criminal Investigations Bureau had its staff increased by 17% to a total of 28. It also moved into new offices apart from the Department's main headquarters in Boston and established its first regional post of duty in Springfield.

## Innovative Enforcement

The Enforcement Division, responsible for audits, collections and other compliance activities, also got new leadership during the year. Commissioner Jackson recruited

Stephen B. Shiffrin from the New York City Department of Finance, where he had been serving as Assistant Commissioner for Audit. A former prosecutor with the New York District Attorney's Office, Mr. Shiffrin played a key role in a number of important tax cases and enforcement initiatives by the city.

One New York City audit in which Mr. Shiffrin was instrumental produced payment of $111 million in back taxes by seven banks which were utilizing shell branch operations registered in the Caribbean. He also spearheaded a case which ultimately led to the indictment of several prominent furriers and jewelry firms, including Cartier, Inc., on the grounds of evading millions of dollars in sales taxes.

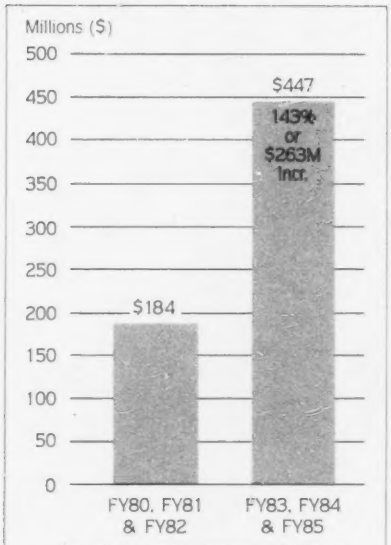
Mr. Shiffrin began work with the Department in December, 1984, just a month before the opening of the Revenue Department's major new enforcement initiative — the 128/495 Regional Office at the Apple Hill Mall in Natick. The Regional Office was designed both as a service center and as DOR's own "R&D" laboratory for testing and refining new audit and compliance techniques. All of its activities are aimed at promoting Maximum Achievable Compliance (MAC) with the tax laws through predictably unpredictable enforcement programs and efficient professional service for taxpayers.

Although it began operations halfway through the fiscal year, its staff got off to a fast start and had assessed $15.2 million in added taxes by June 30. That total included two noteworthy and highly productive special projects implemented by a new Investigative Unit assigned to track down non-filers and identify audit leads.

## Instate Audit Assessments

| Fiscal Year | Amount | % Change |
|---|---|---|
| 1980 | $26,028,260 | |
| 1981 | $47,403,482 | 82% |
| 1982 | $57,773,511 | 22% |
| 1983 | $92,020,206 | 59% |
| 1984 | $91,899,494 | (.13%) |
| 1985 | $109,077,992 | 19% |

## Total Audit Assessments*




*Numbers include Instate, Multistate, Inheritance & Estate Tax Assessments.

Project Clean Sweep was a systematic street-by-street search of over 4,000 business operations in 11 of the 44 communities in the region. The name of the project captures the thoroughness of the examination — not only were business taxes checked but the personal income tax status of the owners was verified. It was determined that $3 million in taxes was owed, and those liabilities were in the collection process at year's end. Thirty cases were referred for in-depth audit. The payback on the project was $550 for every hour invested.

The Border Project was designed to collect taxes due from merchants in surrounding states whose delivery and service operations in Massachusetts made them subject to sales taxes here. At the end of June, $1.7 million in unpaid taxes had been identified from 33 of the 150 businesses investigated. Seventy-five cases have been referred for full audits.

The 128/495 Office has also been testing a new type of audit technique designed to benefit both the Department and honest taxpayers. Companies served by the staff in Natick are having their records reviewed by a new Integrated Tax Audit Unit, which looks at all tax liabilities of a business, not just at a particular tax. That provides a more comprehensive examination by the Department. It also allows better communication and requires less paperwork and fewer disruptions for the business operator.

With a full year's audit production in Fiscal 1986, the anticipated direct payback on the total 128/495 Regional Office investment will be 18 to 1, or $18 in additional tax revenue for every dollar invested. More difficult to measure, but equally important, are the indirect paybacks from the 128/495 investment, as highly visible enforcement and professional service leads to further increases in voluntary compliance with the tax laws.

## DOR Audit Presence

Most of the work of the Department's two Audit Bureaus — one operating within the State and the other nationwide — goes on quietly behind the scenes. Unlike cases involving the seizure of property or criminal action against particular individuals or businesses, those being audited and even those paying substantial added sums as a result of audits are protected by a veil of confidentiality. Only generic information can be disclosed. That never makes the same kind of headlines as even smaller cases when names can be put to delinquencies and indictments. But the payoff for the State from audit activities is

in fact many times as large.

The Instate Audit Bureau raised its production in Fiscal 1985 by 19%, to $109.1 million, more than double what had been assessed just four years ago. Almost $43 million of that total was collected on the spot by auditors, avoiding the need for additional collection action. There was a 30% increase in 1985 in the revenue raised from corporate field audits, to a new total of $22 million. There was also increased activity in a number of other promising audit areas such as meals and sales taxes. One program focusing on canteen truck operators produced over $700,000. A new program to monitor large real estate transfers brought in another $600,000, mostly from non-residents.

The Multistate Bureau offices in Atlanta, Chicago, Los Angeles, New York and Pittsburgh identified 115 corporations doing business in Massachusetts which had been failing to report or pay taxes totaling $2.8 million. Fourteen of those were Fortune or Forbes 500 companies or affiliates.

In all, audits by the Multistate team identified $46.8 million in unpaid taxes. Actual collections on audits were almost $21 million. That meant average assessments of $834,000 and average collections of $370,000 for each of the Bureau's auditors. In the New York City Office, auditors led the way with an average annual assessment of $1.9 million each.

Audit activity and productivity have been aided by increasing use of data secured under exchange agreements with the Internal Revenue Service and other states.

## Reaping Voluntary Compliance

Fiscal 1985 marked the implementation of one of the new powers granted the Department under the 1983 Revenue Enforcement and Protection (REAP) Act — use of private collection agencies. The two contractors chosen for the work — Financial Collection Agencies, Inc., and Corliss Credit Services, Inc. — were assigned some 60,958 cases, all more than four years old or with liabilities under $500.

For many of the oldest cases assigned to the two companies, the time for action was limited, as the 10-year statute of limitations provided by REAP became effective January 1, 1985. By that time, however, the private companies had collected over $580,000 from accounts about to be legally erased. In all, by the end of the fiscal year on June 30, the program had produced net revenues of $3.5 million from cases long dormant. In the process the Department was not only getting added money but also learning better collection techniques for its own use, especially in tracing taxpayers who move from earlier addresses.

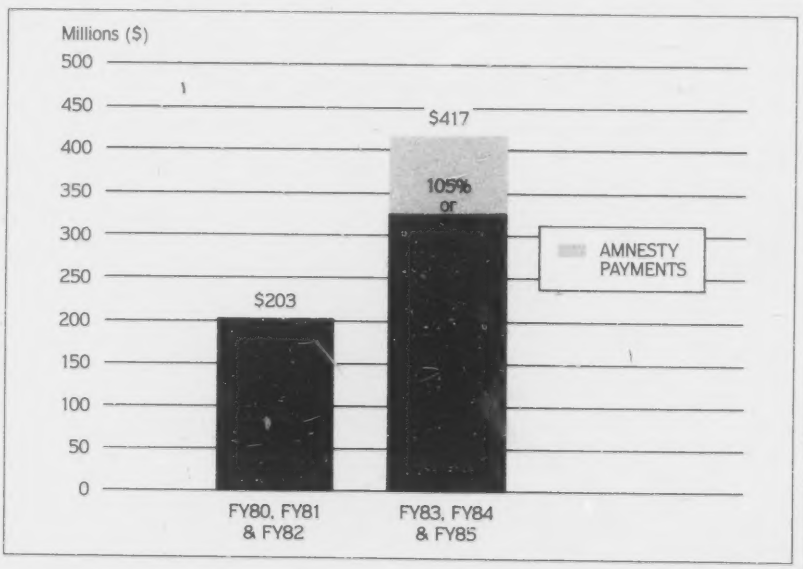
Another REAP section allowing public license revocation for vendors who fail to comply with State tax laws has also paid solid dividends. By the end of Fiscal 1985 more than $1.5 million had been collected directly from sample groups of delinquents and evaders facing revocation proceedings. Far more had been received in voluntary payments from individuals and businesses facing license and contract grants or renewals. The benefits of the program continue to accumulate as more and more licenses and contracts come up for renewal.

The Department has been able to achieve results beyond its initial expectations while making only sparing use of license revocation — the ultimate enforcement sanction. A pilot program against 93 substantial tax delinquents was launched shortly after passage of the law in 1983. Of those, 84 paid or entered payment agreements to clear up their obligations. Only two licenses were finally revoked, but seven others were not renewed. At the end of Fiscal 1985 seven other cases were in the process of being referred to various boards of registration and other licensing authorities for action.

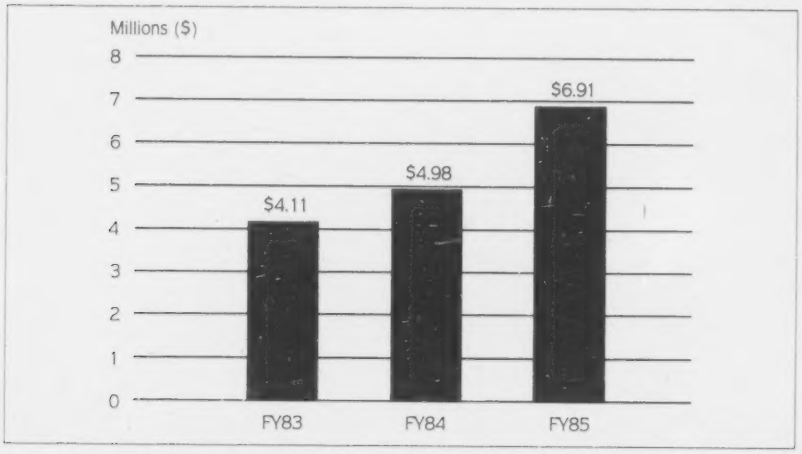
Under the statute, applicants for both licenses and contracts must now sign a form under penalties of perjury testifying that they are meeting their tax obligations. A check on tax delinquency among 123,000 vendors with State government showed a 400% improvement in voluntary compliance in just one year. The delinquency rate among this segment of the taxpaying population should also decline to an absolute minimum as contract renewals continue. These provisions of REAP, along with our successful Amnesty

## Collection of Delinquent Taxes

| Fiscal Year | Amount | % Change |
|---|---|---|
| 1980 | $55,014,532 | |
| 1981 | $72,165,329 | 31% |
| 1982 | $75,534,062 | 5% |
| 1983 | $128,833,092 | 71% |
| 1984 | $167,845,607 | 30% |
| 1985 | $120,325,373 | (28%) |



## Bankruptcy Collections




program, have recently been replicated in other states, and are under active study by various Congressional committees. The self-regulating features of the license and vendor renewal mechanisms are unique to Massachusetts, and the results to date suggest that the concept has been a powerful spur to voluntary compliance.

Some other long-standing enforcement programs also reached new revenue highs in Fiscal 1985.

### Bankruptcy Unit

The Bankruptcy Unit collected $6.9 million from taxpayers claiming bankruptcy. That is a 39% increase over the Fiscal 1984 total. Collections for the past two years exceeded total collections of the previous four years **combined** by 35%.

Members of the Unit file claims in every bankruptcy liability case, then follow through in the courtroom and at auctions. They have established a reputation of staying on a case until money due the State is collected.

### ABCC/Certificates Collections

In a cooperative effort between DOR and the Alcoholic Beverage Control Commission (ABCC), nearly $2 million in back taxes were paid to the Commonwealth by those holding alcoholic beverage licenses. The ABCC provides the DOR with lists of licenses for sale, and the names of owners and prospective buyers. The Department checks the tax status of both groups. Those with any outstanding tax obligations are notified, and those bills must be paid before the license transfer is approved by the ABCC. A total of 1,356 requests were processed for a total dollar collection of $1,915,137. That was 4% more than the previous year, a 40% increase over 1983 and 166% more than Fiscal 1982.

A Certificate of Good Standing on State taxes may also be obtained through the Department for various other types of business transfers. The Department received 4,819 requests for such certificates in Fiscal 1985, and as a result collected $3,089,715 in back taxes owed by delinquent license holders. The 199% increase in dollar collections over the previous year was due in part to the collection of $961,334 from one large company.

### Protection for the Honest Majority

The revenue collected from this broad spectrum of compliance, collection and criminal prosecution is money coming in to the State to finance essential services — many of them at the local level. It is money which otherwise would have had to be made up by other taxes or higher rates. In essence these enforcement activities repesent an insurance policy — a financial protection program — for the vast majority of the taxpayers who pay on time and in full.

### Bob Crist

The Compliance Bureau was organized in 1974 with a staff of twelve people. Although a number still work within the DOR, only one individual remains in the Bureau. Robert Crist has climbed the career ladder, holding every job title from Tax Examiner to his current position of Compliance Bureau Chief.

Mr. Crist became Chief of Compliance Bureau in September, 1984, and has adjusted well to the new responsibilities and pressures he encounters. "It's a challenge," says Bob regarding his present post. "You're constantly involved in unique cases and making tough decisions. But it's also rewarding. Unlike people in many other bureaus, we can see the results of our labor in black and white." And these results have been outstanding. His experience in collection and enforcement activity has been essential in achieving the planned goals and objectives.

Prior to arriving at the DOR, Mr. Crist served in the Air Force. His last duty assignment was in Myrtle Beach, South Carolina, and while there he spent his off-duty time trying to stay under par at local golf courses. By the time he got his honorable discharge from the Air Force in 1973, Bob had become good enough on the links to be offered a job as an Assistant Golf Pro. But his heart was in New England. So he returned here, got married and now lives with his wife, Carolyn, in Beverly.

Being a member of the Compliance staff for twelve years has helped Bob tremendously in his position as Bureau Chief. He has seen past problems and the solutions implemented to resolve them.

"This job gives me an opportunity to put into practice what I always thought I would like to do — develop ideas and then put them into operating programs." Bob says. His commitment to doing that played a key role in the growth, development, and success of the Compliance Bureau.

# Treating Taxpayers as Valued Customers

A successful Revenue Department cannot live by enforcement alone. In a system based on voluntary compliance, service is also essential to answer the questions and resolve the problems of many individuals and corporations intent on complying with the law. We also believe that our new "customer" orientation and commitment to prompt and professional service is an essential ingredient in developing and maintaining the public trust.

Through fast refund service, redesigned tax forms and increased taxpayer services, we are doing all that we can to reinforce and reward good behavior by the vast majority of our citizens who do their best to comply with our complicated tax laws.

At a time when other states and the federal government have chosen to curtail or cut back taxpayer services, the Massachusetts Department of Revenue has made a strategic commitment to more and better taxpayer services. And we are convinced the strategy is not only appropriate, given the responsibilities of government, but that our indirect investment has yielded a substantial return as well. And Fiscal 1985 again saw major strides in providing that needed assistance.

MAR 13 1985
DEPARTMENT OF REVENUE

March 9, 1985

Dear Mr. Jackson:

I want to thank you for the excellent job you did in revising the 1984 State income tax forms for 1984. The directions are clear, easy to read, and sensible, and I like the color coding in the instructions and forms. Thank you for making my job easier by 100%.

Sincerely,

Elizabeth Schmidt
16 Brook St
Wrentham MA 02181

*"You have a truculent look, Mr. Nydorf. Before we go into your tax liability, let me just mention that menacing behavior toward an employee of the Department of Revenue is a Class D felony."*

**Drawing by Handelsman; © 1985. The New Yorker Magazine, Inc.**

## Making the Process Easier

Taxes are calculated and paid through the use of forms. For too long Massachusetts' basic tax forms were more a hindrance than a help to those seeking to meet their filing obligations. All were long, complex and difficult to read, understand and follow.

The Department began changing that with the introduction of the shorter, simpler income tax Form ABC in 1984. In 1985 the Department raised the income limit for use of Form ABC from $40,000 to $60,000. With that change, a total of nearly 2 million taxpayers, over half of the total number filing, were able to use it.

The major accomplishment of 1985, however, was a complete revision of Form 1 for the first time in nearly two decades. That comprehensive form serves the balance of the State's resident income taxpayers and must reflect all the complexities of the State's tax statutes. With input from a broad range of Department personnel and outside advisors from across the State, the new form was rewritten in the simplest possible language, with a winning Celtics-green color, graphics, headings and larger bold type for greater clarity. The instructions were also rewritten in a question-and-answer format.

Like the new ABC of the year before, the new Form 1 brought spontaneous notes and comments of thanks from taxpayers who found filing a return so much less of a chore.

Tax form revision was also begun for business taxpayers. The initial project, similar to development of Form ABC for the personal income tax, produced a new corporate excise Form SBC for Small Business Corporations. Designed to serve the needs

of smaller firms with gross sales and income under $500,000, the SBC let small entrepreneurs meet their tax obligations using a two-sided, single-sheet form with a simplified balance sheet and no extra schedules to attach. In all, there were 101 fewer entries required for a business using the SBC than the traditional Form 355A.

Even with the simpler forms in use and available for the first time at 1,300 locations conveniently located in virtually every city and town, many taxpayers still had questions and problems. To meet their needs the Taxpayer Assistance Bureau developed an expanded service program at Department headquarters in Boston and our eleven District and Regional offices across the State. Outreach activities also took Department personnel into more than 250 different communities.

## Serving the Needs of the Public

Some of the outreach to remote towns was carried out with use of two Taxmobiles — mobile units fitted out as traveling offices for Department personnel to meet and help local residents. In the suburbs the Taxmobiles went to where the taxpayers are — at shopping malls. In urban centers with diverse populations, assistance was offered in a wide range of locations and in eight different languages and dialects.

Working in conjunction with groups such as the Massachusetts Office for the Blind and Deaf, Inc., the Taxpayer Assistance Bureau once again provided service to those who are sight or hearing-impaired. The Department also acquired a Telecommunications Device for the Deaf, a machine which attaches to the telephone and makes possible two-way communication with individuals with severe hearing problems.

Many other taxpayers can also have their problems and questions resolved with a phone call. To meet their needs and the heavy volume of calls involved, a new Automatic Call Distributing System was put into service during the year. Capable of handling 56 calls at one time, the new system made possible better taxpayer service and better call tracking, planning and staff use.

During the final, busiest week of the filing season, almost 20,000 calls were answered with an average waiting time of less than 25 seconds.

In all, during the filing season, assistance was provided to a total of 524,912 people around the State — 178,586 of them in personal contact at DOR offices and outreach sites, another 346,326 of them over the telephone. This is a 25% increase over last year.

Taxpayers who sought help at the Department's headquarters in the Saltonstall Building were served in impressive new facilities in what had been a grim and little-used second-floor lobby. Other space was added on the mezzanine. Taxpayer Assistance Bureau staff played a key role in the successful functional design of the space.

With their problems solved and returns filed, many taxpayers still have one big residual question: "When will I get my refund?" For most people the check came far sooner than they had expected.

## Delivering the Fastest Refunds Ever

Right on the tax forms Commissioner Jackson made an unprecedented commitment: a pledge to send out a refund in four weeks to those filing an error-free return by early March. In the end the hard-working employees of the Processing Division did far better than that. Ninety percent of all 1.7 million refund returns filed right up to the April 15 deadline had checks go out in four weeks. Most of them were out in less than 20 days; some in less than a week. Processing of all error-free returns was completed on June 3, three weeks faster than the previous year and ten weeks faster than in 1983.

There has been substantial progress in speeding corporate refunds as well. With automation of the corporate tax collection system, the time for getting those checks to taxpayers has been cut from 68 weeks down to 6.

In addition, development of an integrated system to offset refunds against unpaid bills for other taxes saved the Commonwealth over $5 million during the year.

## Processing Abatements Quicker

The abatement process, the route for returning money to taxpayers where some sort of error has been made, is more complex. Abatements are not simply "processed" like tax returns, which are then subject to later audit. Abatements have to be determined by verifying facts before a check can be issued. In addition, the Massachusetts Constitution requires approval of each payment by the Executive Council, a step which itself can take up to three weeks.

### Stella Sweeney

On the second floor of the Boston office, in a corner overlooking the flowers between the Saltonstall and McCormack buildings, is the office of the Department's Sales/Meals/Room Occupancy Tax Supervisor, Stella Sweeney.

"Before working here, I served in the Marines. I wanted to go places, to meet new people. When I left the military, I came to DOR temporarily as a keypuncher," she says smiling, "and I'm still here."

Later in 1958, when the Massachusetts withholding tax went into effect, Mrs. Sweeney and two others were transferred to answer taxpayers' questions. "We were given no training. We just had to learn on the job."

Twenty-seven years later, Stella oversees 12 tax examiners and two clerks.

"I've got some good people here in TPA," she says proudly. "I think I have a good rapport with people in other departments; we all work well together."

Deputy Commissioner William Halmkin, who oversees the Taxpayer Assistance Bureau, praises Mrs. Sweeney's management style and recognizes her authority on Massachusetts sales taxes. "Stella is one of the most knowledgeable people I know, and she is able to relate well to those she deals with on the job," he says. "She is professionally demanding and at the same time, concerned about both the taxpayers who come to her and her staff. And that's the mark of a true professional."

Outside of the Department, Mrs. Sweeney enjoys spending time in her Beverly home or playing golf at various North Shore courses. She also spends time with her family — her three children and two grandchildren.

And what does the former Marine sergeant think has contributed toward her success at DOR? "I'm a tough supervisor, but a fair one. I stick up for my people, and let it be known when something's not being done as it should."

In the past it has taken from ten to twelve months for an abatement check to be issued. By the end of Fiscal 1985, the average income tax abatement was being completed in under five months. Many claims which were properly filed and required no further correspondence were approved and the check sent within three months.

## Communicating Our Message

Part of service is communication — both with individual taxpayers and the practitioner community.

In addition to its one-on-one dealings with those needing help, the Taxpayer Assistance Bureau has organized a Speakers Bureau to reach out to groups wanting more information about the Department and State tax laws and policies. Twenty-three staff members took part in 32 such programs in 1985, reaching a total of 1,474 people. In addition, the Bureau's outreach program included 80 appearances by Department personnel on radio and public television service programs both to provide general information and answer questions.

In another effort to provide a forum for public input, a Practitioner Liaison Committee was established in Fiscal 1985 made up of community leaders and business representatives. The group held three meetings in the course of the year.

During Fiscal 1985 the Department initiated publication of the Taxpayer Advisory Bulletin, or TAB. It is designed to keep all those concerned with tax matters informed of developments, problems, and answers to common questions. By the end of the Fiscal Year, four issues of the TAB had been published and the distribution list had been expanded to 26,000.

## Customizing Taxpayer Services

The Department has also been moving to open lines of communication with taxpayers during their school years. A pilot program begun in Fiscal 1984 primarily to instruct juniors and seniors in preparing their State tax returns had been broadened into a curriculum unit on taxation generally. Some 25 school systems across the State have now started using this course, with some classes getting down to the junior high level.

It is impossible to measure the impact of the service component in the Department's overall success during 1985. It is known that a vigorous and innovative approach to treating honest taxpayers as though they were customers provided the necessary balance to our equally aggressive enforcement programs directed at tax evaders.

Also, the success of our service programs — the fastest refund service in memory, the most readable forms, the most accessible free taxpayer assistance — helped to infuse a customer orientation throughout the Department and to ensure greater accountability in terms of professional standards and performance expectations. But there is little doubt it was another factor in the continuing increase in voluntary compliance, which is described in the next section.

### Lorraine Byrd

Lorraine Byrd is the Supervisor of the Post Audit Unit of the Data Integration Bureau. That makes her responsible for a tremendous number of transactions which affect fiduciary, estimated tax and — most significantly — personal income taxpayers.

She supervises 30 people and has two back-ups, one of whom is still in training. It is these people, she says, who enable her to be so efficient.

"I'm really proud of my operators," Ms. Byrd says as she looks across the room to them. "Post Audit handles the returns with errors on them. We push them back out in five days at any given time. I have a bunch of good operators."

Ms. Byrd trains the operators and is on hand to answer any questions they may have: "Can't this person take an exemption?" "Is that deduction allowable?" She knows Chapter 62 thoroughly so answers come quickly and any money due can be sent on its way back to the taxpayer.

"We're the last step," says Ms. Byrd. "Once it leaves our hands, it's more money, less money, no change, or a bill that's sent to the taxpayer. It depends on what our determination is."

Ms. Byrd joined the Department slightly over 11 years ago as a keypunch operator. She has been in her current position since the tax season of 1981. Despite the long hours she puts in here, she is now studying at the University of Massachusetts. A special student, taking English classes to work her way back into academic life, she aims eventually to earn a bachelor's degree in accounting. In her spare time, she crochets, and she admits to being a crossword puzzle fanatic. She has two children. Her daughter has two children of her own, and her son attends New York University. Without a doubt, Ms. Byrd enjoys keeping busy.

"I love the challenge. I could be very bored in another type of job. You live in the fast lane in Post Audit."

# A $564 Million Story

The foundation of State tax collections is voluntary compliance. There are limits to administrative resources, and thus enforcement is, by definition, selective. A successful tax system depends on taxpayers' willingness to pay on time and in full before they are audited, billed or otherwise pursued for payment.

Increasing that level of voluntary compliance should be the ultimate standard for judging the success of a tax agency operating in a free society. And by that measurement Massachusetts has made incredible strides in the past two years. In dollar terms that has meant an additional $564 million in tax revenue from increased voluntary compliance alone — a $233 million base established in Fiscal 1984 and maintained last year, along with another $98 million in new voluntary revenue.

The key to that success has been the Department's vigorous enforcement efforts and increased taxpayer services described in the previous two sections. Those two factors have been the force behind a campaign to change public attitudes, in part simply by getting the enforcement and service story before the public. The ultimate goal has been to make people see that tax evasion victimizes innocent people — both by making them pay more in taxes and, in some cases, get less in the way of public services.

The need for a turn in the compliance tide was made plain from a Revenue Department study in the spring of 1983. At that time 12% of our tax collections — $640 million in potential revenues for that year — were being evaded annually.

Using the growth in personal income here as just one indicator of the expected increase in tax revenues, we found that collections had not kept pace for the prior four years. In two of those years revenue growth had not even kept pace with inflation.

Nationally, the IRS admits to a "tax gap" of $100 billion — explaining away virtually half of the federal deficit to seemingly uncontrollable tax evasion. Many observers mantain that tax evasion has reached epidemic proportions, and that voluntary compliance has plummeted to below 85%.

With the REAP program, including Amnesty, there has been a dramatic turnaround in Massachusetts. The tide of tax evasion has been stemmed and the national trend at least in one state has been reversed.

In Fiscal 1984 revenues were up 13.4% or an unprecedented $665 million above the prior year — 3.3% higher than the growth in Massachusetts personal income. Of the $233 million increase in voluntary compliance in Fiscal 1984, $67.1 million was attributed to that year's share of Amnesty collections. But the remaining $165.9 million could only be explained by increased voluntary compliance.

Going into Fiscal 1985, there was concern that the compliance bubble might break; that at least a good part of the Amnesty payments might not be repeated. But that did not happen. All the gains of 1984 were retained, with the $98 million in new money on top. One of the most positive signs of increased voluntary compliance was the fact that there has been a dramatic increase in the number of tax returns filed. When law changes which affect filing requirements are considered, there was an increase of more than 200,000 or 8% in the past two years.

The increase is far more than can be explained by the economy or by population growth. And it is even more startling when it is compared to the change in returns between 1983 and 1982 — the year before this recent explosion in filings. In that year the increase was only 330 returns.

The Department's drive against tax evasion and its broad scale effort to increase voluntary compliance still have a long way to go. Clearly the initial increases are the easiest to obtain. Subsequent ones come harder. So while future gains in voluntary compliance will probably be smaller, they will still be significant. And the Department is committed to achieving them, as well as maintaining the expanded base built to date.

The net result is good news for the Commonwealth as a whole and for every honest taxpayer: record state revenue collections, a healthy state surplus, generous funding for essential state services and local aid, an improved state bond rating, the opportunity for both a substantial tax cut and the creation of a "rainy day" contingency fund, and a lowering revenue burden. Most importantly, increased voluntary compliance means that honest taxpayers today are subsidizing fewer and fewer tax evaders and delinquents, and that means that our system of tax administration is becoming fairer and more equitable for all.

## Increased Tax Revenues

Fiscal Years 1983, 1984 and 1985

■ Economic Growth & Enforcement $1.54 Billion 73%

□ Increased Voluntary Compliance $564 Million 27%

# Helping Cities and Towns to Help Themselves

Fiscal 1985 marked the start of new directions and the achievement of expanded goals in the Revenue Department's work with the State's 351 cities and towns.

In the late 1970s and early 1980s the Department and community officials had to concentrate on solving the problems involved in implementing both court-ordered revaluation of property and Proposition 2½, which placed legal limits on property taxes. With those challenges successfully met, the emphasis more and more has been on service — direct service to all those who pay property taxes and all those who depend on the programs provided by municipal government.

Computerization of the Department's records and resources has enabled the Division of Local Services to begin delivering the solid technical assistance so valuable to the officials responsible for financial management at the community level. Partial funding of the Division's Master Plan, developed in line with recommendations of the Governor's Advisory Task Force, helped strengthen existing services and provided new resources for expanded analysis of municipal financial data. With this new computerized data and technical ability, local officials can have heightened confidence in making the increasingly important planning decisions they face in this era of fiscal restraints. In many cases, communities — from small-town Savoy to urban Lynn — received detailed hands-on consulting assistance from DOR personnel in tackling their problems.

## Moving to Uniform Accounting

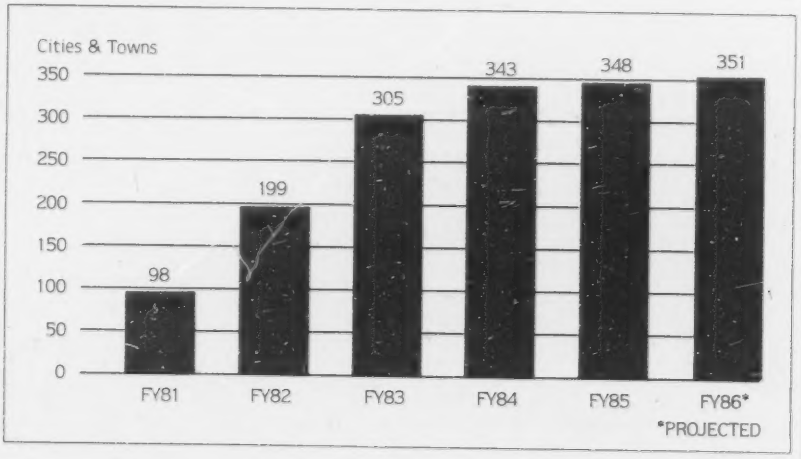
One of the major features of the Master Plan is a project to assist cities and towns to convert to the Uniform Municipal Accounting System (UMAS). Some 125 communities applied, and 54 were chosen for a pilot conversion program in Fiscal 1985.

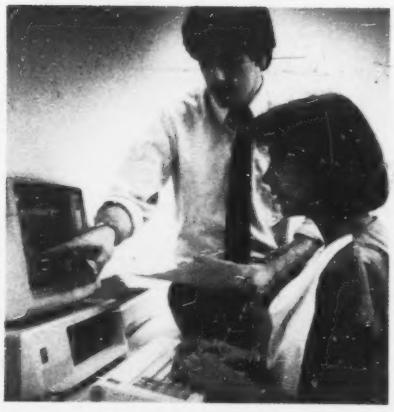
UMAS is a comprehensive system that conforms to the national Generally Accepted Accounting Principles (GAAP) for local governments. It increases report and record-keeping consistency, simplifying fiscal comparisons among cities and towns. Directed by the Bureau of Accounts, the UMAS conversion will improve financial reporting, budgeting and management throughout the Commonwealth.

## Helping to Maintain Accurate Property Assessments

With the long process of property revaluation now virtually completed, the big challenge in assessing is to maintain those hard-won full and fair cash values. Otherwise communities will face further costly reappraisals for required recertification every three years. To help local assessors meet that challenge at minimum cost the Bureau of Local Assessment is developing a Computer-Assisted Mass Appraisal (CAMA) system. The software program, along with the necessary training and support, will be offered to local assessors. Specifications for the system were prepared in conjunction with consultants from the International Association of Assessing Officers, working on recommen-

## Municipalities Assessing at Full and Fair Cash Value as Certified by DOR





dations by an Advisory Board which included municipal officials.

The Bureau of Local Assessment also moved during Fiscal 1985 to make its services and assistance more available to people in Western Massachusetts by opening the Division's first field office in Springfield.

## Assuring the Smooth Implementation of Proposition 2½

With Proposition 2½ now in its fourth year, the Division continues to provide the data and information cities and towns need to comply with the law. The Property Tax Bureau keeps municipalities up-to-date on their levy limits and responds to a multitude of inquiries from local officials. The Bureau this year compiled a report on the cities and towns which have voted to override or exempt debt from the 2½ limit.

For a seminar sponsored by the House Ways and Means Committee in March, the Division delved into the Municipal Data Bank to prepare a comprehensive review of the effects of Proposition 2½ on every city and town. Entitled "Proposition 2½: The Fiscal Facts," it was the forerunner of an even more ambitious publication planned for distribution to municipal officials and other interested parties across the State in Fiscal 1986.

## Proposition 2½: Key Fiscal Facts

- Between Fiscal 1981 and Fiscal 1982, Proposition 2½ required 171 communities to make cuts in their tax levies totaling $483.7 million. Of all the dollar cuts from the total levy, 78.6% were made by cities.
- Total spending by all cities and towns increased by $329.9 million, or 5.78%, between Fiscal 1981 and Fiscal 1984; however, the increase was less than inflation in each of these years.
- Between Fiscal 1981 and Fiscal 1985 total net direct state aid has increased by $720 million, or 81.7%.
- Property tax as a percentage of personal income in Massachusetts has declined relative to the U.S. average.
- Statewide, the equalized value rate has dropped from $37.91 per thousand of value in Fiscal 1981 to $20.77 in Fiscal 1985.
- Of 217 communities reporting Moody's bond ratings in both 1981 and 1984, 176 communities reported the same rating in both years, 6 reported higher ratings in 1984 than in 1981, and 35 reported lower ratings in 1984 than in 1981.
- The number and dollar amount of municipal debt issues has declined.

## Technical Assistance Moves Forward

The Municipal Data Management/Technical Assistance Bureau (MDM/TAB) greatly expanded its work with local officials in Fiscal 1985. Created in 1983, the Bureau plays the role of consultant in implementing the Master Plan programs to improve financial management across the State. The Municipal Data Bank, the foundation of the Bureau's work, became operational in 1984. With information from the Data Bank, technical assistance personnel can work effectively with local officials to set fees, price services and take other steps to cut costs or increase revenues.

## Leslie Eng

The Municipal Data Management/Technical Assistance Bureau (MDM/TAB) is attracting new staff to the Department, people who are interested in research and analysis of fiscal factors affecting the cities and towns in which we live. One such member is Leslie Eng, a 27-year-old Research Assistant who came to the Department last year from New England Telephone.

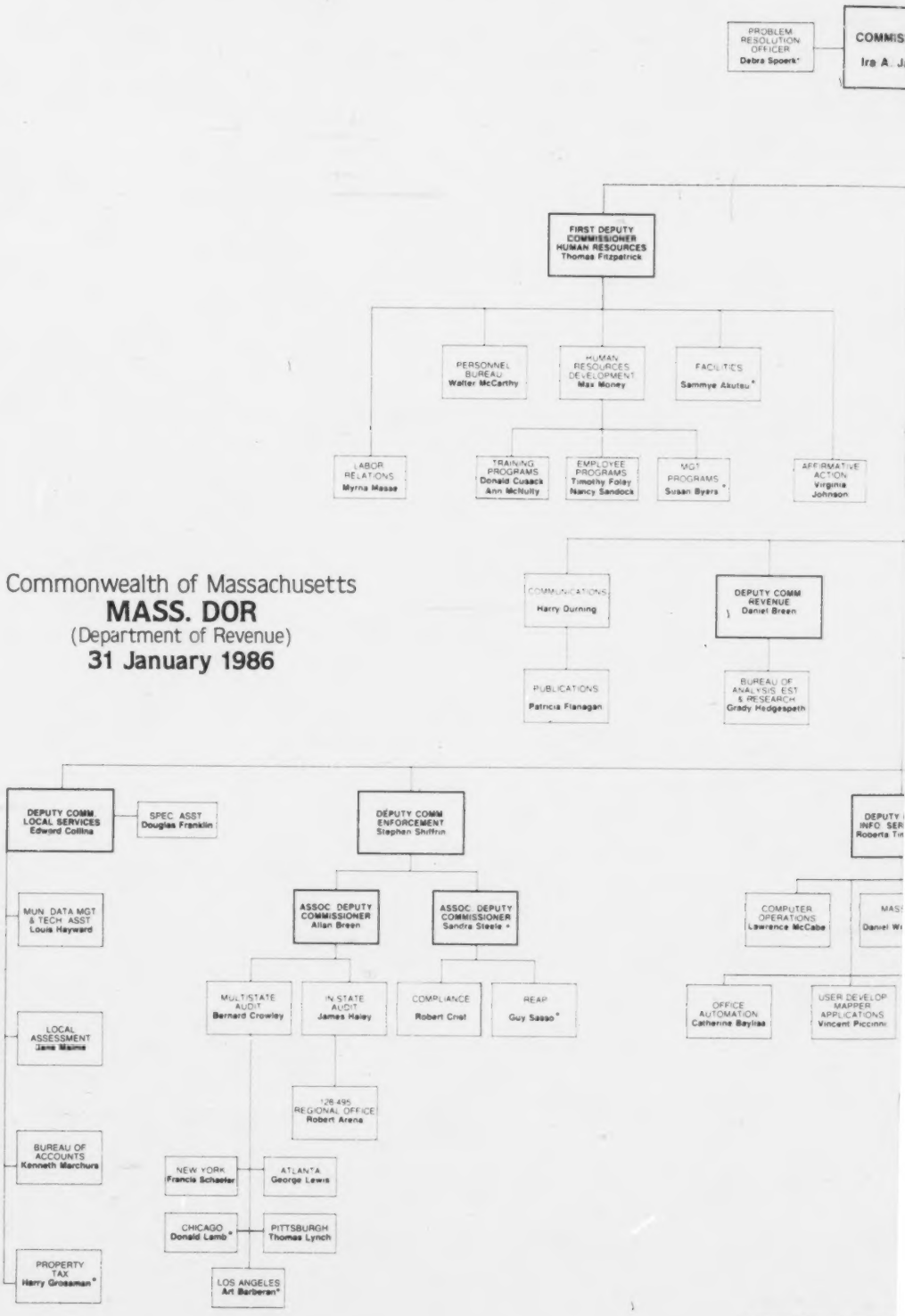
Working for the Municipal Data Bank, Leslie is responsible for five staff members who compile information from reports gathered by other offices within the Department. Information is received from other agencies, such as the Department of Education, the Division of Employment Security, and the Census Bureau. DOR uses the facts and figures to compile annual reports for the cities and towns to help them analyze budgetary needs and practices. Sometimes special requests are made by individual communities or interested parties, for which MDM/TAB is also held responsible.

"I enjoy what I'm doing here — I feel as if I make a contribution," she says. "The staff in this bureau have a really positive attitude, and it makes it more interesting and enjoyable."

In her spare time, Ms. Eng enjoys sports such as tennis and skiing, and going out with friends. People, in fact, are another reason she enjoys her work here. "They're great," she says. "And that's a very important part of any job."

Ms. Eng's interest in working with and for the public has now led to a new career decision. Next year she plans to leave the Department for the Peace Corps, expanding on her commitment to personally helping others.

# The Organization




Commonwealth of Massachusetts

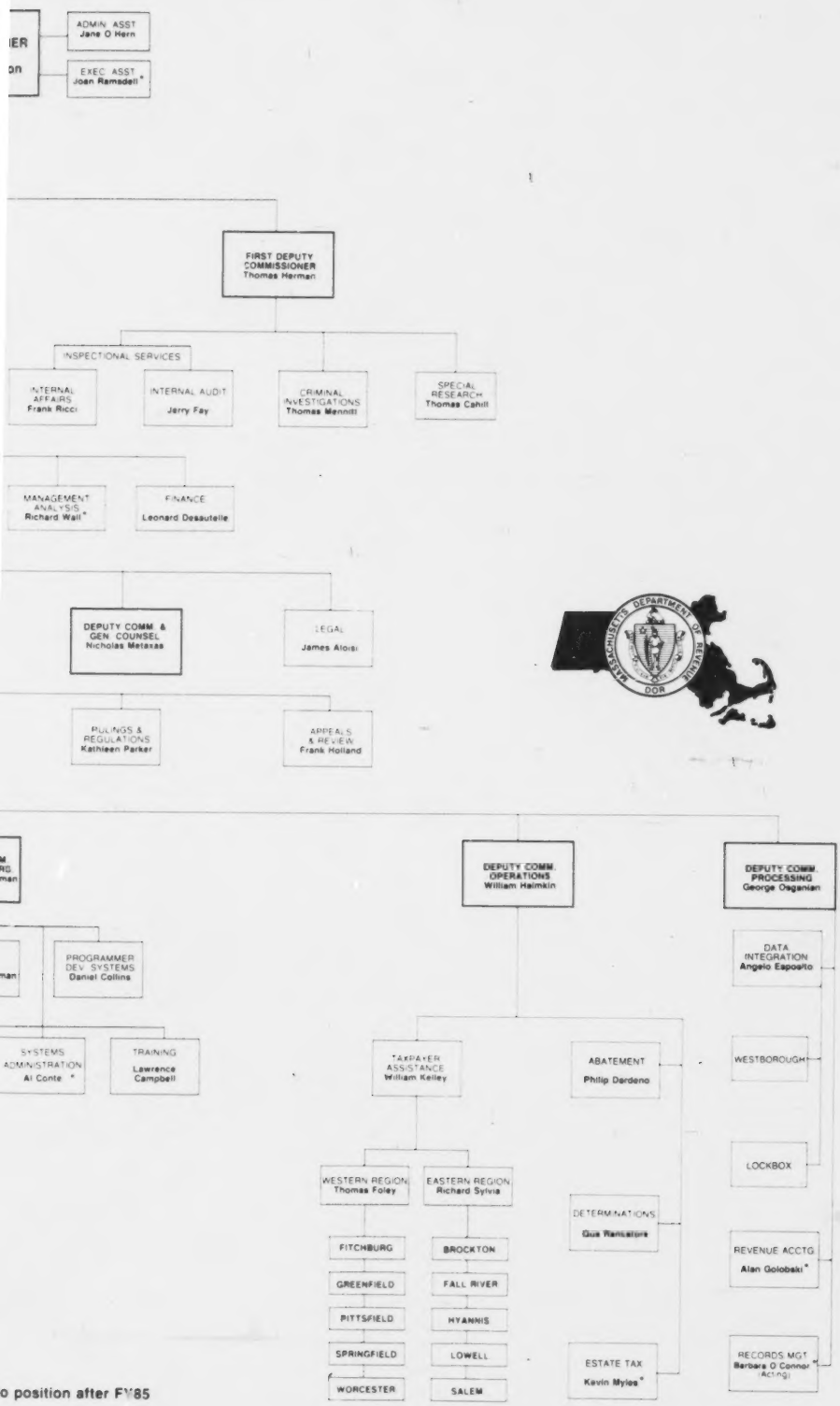
**MASS. DOR**

(Department of Revenue)

**31 January 1986**

*joined DOR or appoint

# The Organization




o position after FY85

# Personnel

S. Akutsu

J. Aloisi

R. Arena

C. Bayliss

A. Breen

D. Breen

S. Byers

T. Cahill

L. Campbell

D. Collins

E. Collins

A. Conte

R. Crist

B. Crowley

D. Cusack

P. Dardeno

L. Desautelle

H. Durning

A. Esposito

J. Fay

T. Fitzpatrick

P. Flanagan

T. A. Foley

T. R. Foley

D. Franklin

A. Golobski

H. Grossman

J. Haley

W. Halmkin

L. Hayward

G. Hedgespeth

T. Herman

# Personnel

F. Holland

I. Jackson

V. Johnson

W. Kelley

J. Malme

K. Marchurs

M. Masse

L. McCabe

W. McCarthy

A. McNulty

M. McQuillen

T. Mennitt

N. Metaxas

M. Money

K. Myles

B. O'Connor

J. O'Hern

G. Osganian

K. Parker

V. Piccinni

J. Ramsdell

A. Rancatore

F. Ricci

N. Sandock

G. Sasso

S. Shiffrin

D. Spoerk

S. Steele

R. Sylvia

R. Timmerman

R. Wall

D. Wasserman

For example, the Division completed comprehensive reviews of the financial difficulties in Lynn and Chelsea and proposed a series of recommendations aimed at easing the levels of fiscal stress in both communities. As part of Boston's quest for the power to impose local option taxes, the Division completed a report and analysis of the revenue constraints of the capital city. The report also made recommendations for structural reform aimed at eliminating the chronic deficit problem plaguing the City.

Consulting work done by the Division in communities such as Chicopee and Brockton helped to resolve long-simmering collective bargaining disputes by providing a neutral source of expertise and establishing an atmosphere of compromise.

All in all, 250 communities representing 66% of the State's population requested and received service from the Technical Assistance Bureau this year. Every municipality received an introductory report packet providing a wide range of fiscal data for the community. Those went out to over 2,000 local officials in the fall.

## Cherry Sheets: Earliest Release

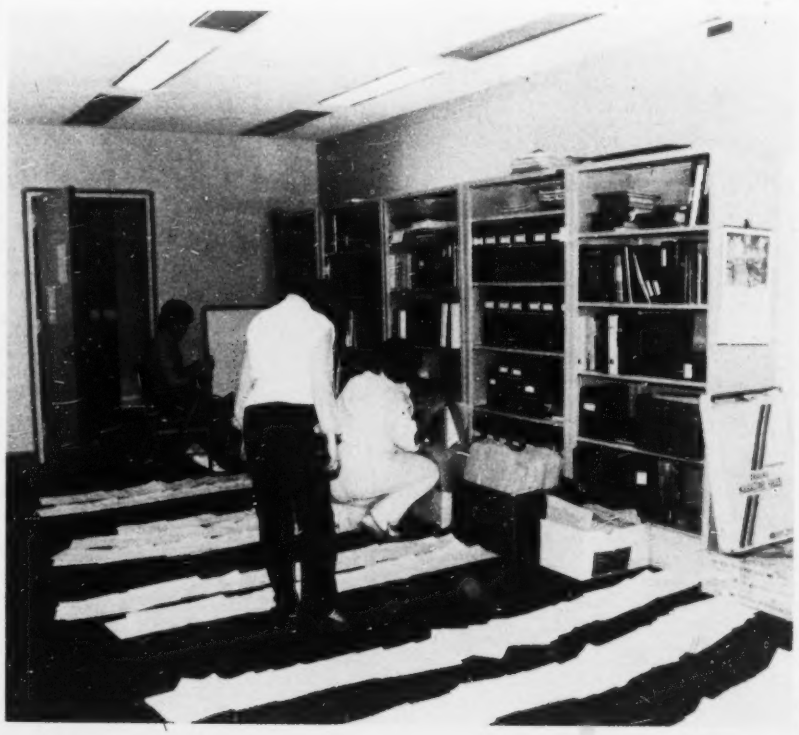
Following early agreement on local aid between the Governor and the Legislature, the staff of MDM/TAB accomplished the earliest-ever distribution of the "Cherry Sheets," containing critical State aid and assessment figures. That information, needed by local officials for their budget preparation the following fiscal year, was out by March 1. That was eight days ahead of the previous year's record.

The Cherry Sheet information was not only early. It was also good news. Direct local aid for Fiscal 1986 to both municipalities and regional school districts increased 8% or $166.3 million to a record $2.24 billion.

With the Bureau's expanded computer capability, it was also possible to distribute the Cherry Sheet information more broadly than ever before. And along with the basic figures there were analysis reports to help local officials interpret data. What questions remained were answered in a series of six follow-up assistance sessions across the State.

## Ongoing Training and Support

Assistance is an ongoing function of the Local Services Division in a number of areas. Workshops and procedure courses to train elected and appointed officials are offered throughout the year locally and at



community college and state university facilities. Over 600 local officials attended special seminar sessions on "Costing Municipal Services," while dozens more benefited from classification training and the basic "101" assessors' course. Workbooks and manuals are produced by the Division for the participants. The Bureau also distributes Information Guideline Releases to update community officials on changes in law and policy. All of these services are offered free of charge to all local officials.

## Somerville: Cracking Down on Assessing Abuse

The Department's oversight role can sometimes call for detailed research and tough recommendations on sensitive municipal problems. That was the case with the results of an unprecedented two-year audit the Division carried out on the practices of the Somerville Board of Assessors. That report, issued in December, 1984, led within four months to passage of legislation requiring a complete change in the structure and membership of the board — the recommended replacement of elected assessors with an appointed professional staff.

# People Working Together

The Revenue Department's successes in tax law enforcement and in both taxpayer and community service were very much in the public eye in Fiscal 1985. Those accomplishments are a tribute not just to those who manage and carry out the specific programs involved but to all 2,100 Department employees working in line and and support units at every level in every DOR location from Cape Cod to California.

This section looks at some of the critical but little-heralded improvements in programs, systems, equipment and facilities designed to bolster efficiency and professionalism. These behind-the-scenes efforts are the fuel for improvements in bottom-line revenue collections, service programs and aid to communities. Also covered here are some of the changes in management — the new men and women, most of them promoted from the ranks, who were responsible for managing the Department's programs.

## Automation for Efficient Operations

Along with the people involved, it is computer systems which are today at the heart of any modern business operation. In 1983 the Governor's Advisory Task Force on the Department of Revenue noted the irony of a tax collection agency in one of the computer centers of the world severely hampered by inadequate computer systems. At that time, DOR's computer processing system left fully 85% of daily functions unsupported. Major computer programs were 8 to 11 years old, the hardware configuration was inadequate and programming was limited to maintenance and simple up-keep. In short, advantages of state-of-the-art computer hardware and software were lost on the Department, and the basic operating mode was simply: catch up. The Govenor's Task Force recommended that the Department undertake a $30 million program for systems improvement — and estimated a $200 million payback on that investment.

Fiscal 1985 saw major progress toward implementation of the Task Force's recommended strategy. Under the guidance of a top-level Electronic Data Processing Steering Committee, chaired by Commissioner Jackson, the Department has launched some 20 major initiatives centered on or involving computer enhancements or improvements. This report will focus briefly on three of the broad areas involved.

## Office Automation

In January of 1983, there was not one word processor in the Department to support the handling of some 20 million documents annually.

Fiscal 1985 saw the introduction of over 100 wordprocessor workstations and microcomputers. The resulting productivity increases are nearly impossible to quantify but are readily apparent as desktop micros replace unmanageable quantities of paper and documents. Their use has increased efficiency and provided sophisticated management information reports which track productivity. The new equipment has also been used for economic modeling of tax law changes and development of data on the distributional impact of our current tax laws.

Many improved taxpayer notification systems have been made possible through automated list processing and correspondence production. Other pilot uses have provided information and support for various enforcement, service and internal management initiatives. Several bureaus in the Department have also used microcomputers to test new programs for the mainframe computer. And office automation is just beginning at DOR. Within the next three years, a planned procurement program will fully automate the office-support function in virtually every bureau, making DOR the most fully automated office environment in all of State government.

## Other Improvements for Today

On another front, substantial progress has been made in new programs to enhance the major processing systems of the Department. Direct results of these applications are reflected in the faster corporate refunds (reduced from over a year, on average, to less than six weeks), the improved abatement processing and the new uses of the Municipal Data Bank cited in earlier sections. More and more the computer is also being used to focus and improve the Department's wide-ranging audit and compliance efforts.

## MASSTAX — Preparing for the Future

Many of the Department's current computer programs are more than ten years old. That makes them difficult to maintain, cumbersome to improve and highly susceptible to internal problems. Substantial reprogramming and redesign are needed to streamline operations, provide increased computerized support for detection of tax evasion and make possible the highest level of efficient and professional taxpayer service.

This major redesign has been named the MASSTAX Systems project. Fiscal 1985 was the year of planning and defining the

requirements for that system. Countless hours were devoted to evaluating potential vendors to design the software for MASSTAX. This contract was later awarded to the international firm of Arthur Andersen & Co., and implementation will begin in Fiscal 1986.

The project will take 27 months. When completed, MASSTAX will enable the DOR to move data more quickly, process payments and refunds more rapidly, to manage resources more efficiently and to provide service more promptly — in essence to utilize state-of-the-art technology to be at the cutting edge of performance. MASSTAX is the single most important step toward the goal of becoming a model state revenue agency.

## The People Behind the Progress

In the end, even the most modern of equipment, the most sophisticated of systems depend on the managers and line employees charged with responsibility for their operation. The Department has been seeking to recruit, promote and develop the talent needed to carry out its complex tasks.

The majority of the changes in management ranks in Fiscal 1985 involved promotions and transfers of men and women already working within the Department.

Robert Crist was promoted from Deputy Chief to Chief of the Compliance Bureau. Augustine Rancatore, who had headed Compliance, was chosen to lead the newly formed Determinations Bureau. Robert Arena was promoted from Deputy Chief of the Meals Tax Audit Bureau to head the 128/495 Regional Office in Natick. Brian Sullivan, formerly Deputy Chief of the Compliance Bureau, served as head of the Revenue Enforcement and Protection (REAP) Bureau.

Bernard Crowley, who had been First Deputy Chief in the In-State Audit Bureau, was appointed Chief of the Multistate Bureau. Philip Dardeno, formerly of the Audit Bureau, was appointed to head the newly labeled Abatement Bureau, formerly known as the Assessing Bureau. Angelo Esposito was promoted to Chief of the Data Integration Bureau.

Attorney Kathleen King Parker moved from the Legal Bureau to become Chief of the Rulings and Regulations Bureau. Debra Spoerk was promoted from the Commissioner's Office staff to become the Federal/State Exchange Officer, in charge of the transfer of taxpayer information. Catherine Bayliss was made the Director of Office Automation for Informational Services.

In addition to Deputy Commissioner Stephen Shiffrin and CIB Bureau Chief Thomas Mennitt cited in the Enforcement Section, another hire to a managerial position was Patricia Flanagan, Director of Publications within the Communications Office, who joined DOR from the Brookline Cablevision Corporation.

## Increasing Professionalism

High standards of performance require an investment in personnel. In its second year of operation, the Human Resources Division is dedicated to providing support and programs to insure the highest level of professionalism among all DOR employees — from the executive management level to the front-line staff.

During Fiscal 1985 the Department of Revenue became a pilot agency in State government for use of the Performance Management System. Known simply as PMS, it is designed both to improve the skills of individual managers and, in a chain of command right up to the Commissioner, to set and then expect compliance with an agreed set of goals and objectives for the year.

The emphasis on training and professionalism was focused throughout the organization. Training moved into high gear in 1985. A monthly bulletin was distributed to notify employees of classes in broad areas such as computer training, report writing and office administration, as well as for specific technical DOR positions such as auditor and tax examiner. In all, some 42,000 staff hours were spent in training during the year, up from 24,000 in 1984.

The preliminary planning and work was done in Fiscal 1985 for a Quality of Work Life program designed to bring workers and management together in developing solutions to a wide range of workplace problems. The final days of the fiscal year also saw agreement on a new contract for the professional employees of the Department. That included approval of the comprehensive Code of Conduct recommended by the Governor's Task Force in 1983 and set to be implemented in 1986. It will apply to over 1,350 staff and managers.

The Department also continued its com-

### Max Money

With his strong credentials in education and innovative teaching methods, Max Money brings both wisdom and warmth to his job as Director of Human Resource Development. Mr. Money, who works directly for First Deputy Commissioner Thomas Fitzpatrick, is responsible for overall planning of training, career development and merit recognition programs for the Department.

Beginning with degrees in history and education from Stanford University, Mr. Money started his career in public education. He taught and coached at junior high and high schools, eventually becoming a high school principal. A Marine Corps veteran, he completed two tours of active duty in 1951 and in 1957.

Before leaving public education for state government in 1981, Mr. Money served as the Regional Director of a federal education project in Vermont, helping teachers develop new ways of presenting traditional material. In 1981 he joined state government and handled training for the Office Management Information Systems (OMIS). He was hired by the DOR in 1983 to expand employee development programs.

Mr. Money lives in Barnstable, where he and his wife are quite active in their church. He has served as a deacon, an elder and a Sunday School teacher. He is also an elected town meeting representative. They have three sons, the youngest a senior at Oberlin College.

In addition to an interest in the arts, he plays a variety of sports. He was a key member of the Department's softball team, which went to the semi-finals in the Boston league, based largely on Max's pitching.

"There is a sense of vision here that's generated down through the ranks," says Mr. Money. "That's the thing that energizes me — to have a hand in this vital program of public service, its inception and its implementation."

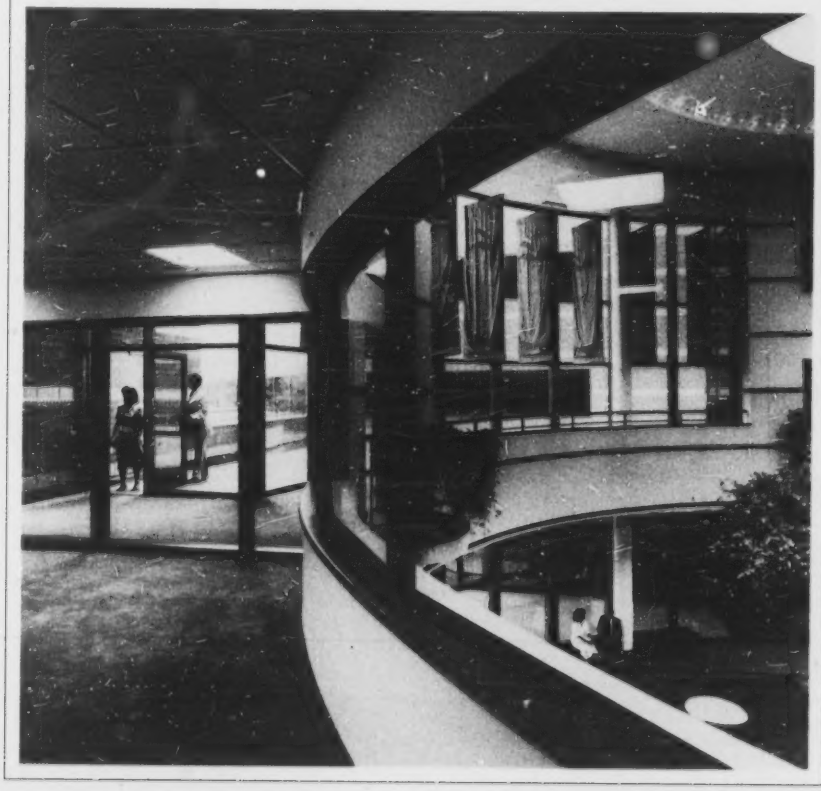
mitment to Affirmative Action in the workplace, with 119, or 14.5% of the new employees in the year minority group members. Overall, 10.5% of the Department staff were minorities at the end of the year; 52% were women. Part of the training program for Fiscal 1985 included establishment of guidelines for what constitutes sexual harassment and then ways to cope with it.

## Improved Facilities for Staff

The Department's Facilities Bureau has maintained the quality of the Department's office space, and renovated new areas in a number of locations both within Massachusetts and along the East Coast. During Fiscal 1985, new quarters were obtained for the Hyannis District Office and the Multistate offices in New York City and Pittsburgh, Pennsylvania. The Inspectional Services Division and Criminal Investigations Bureau moved into the Little Building at 80 Boylston Street, Boston, followed at the end of the fiscal year by the Estate Tax Bureau. The Little Building offices provide a more professional atmosphere when Department staff are working with and for the Commonwealth's taxpayers. Finally, the 128/495 Regional Office in Natick was opened, heralding a new enforcement presence in the heart of the Commonwealth's high technology community.

## Giving Credit Where It Is Due

Without the dedicated people of the Department of Revenue, virtually none of the programs described in this report would have been possible. Fiscal 1985 saw the development of a wide range of performance recognition programs to acknowledge their contribution. Whether a commemorative plaque for years of individual service, a letter to all employees from the Commissioner for overall accomplishment, a special event for temporary employees for their filing-season efforts or a certificate of outstanding performance based upon specific bureau programs, performance recognition is an integral part of DOR management and operations. In an environment where career opportunities and monetary rewards are at best limited, these programs are designed to reach out with a special word of thanks and encouragement to employees who go beyond the call of duty for the good of our Commonwealth.



## The Human Element

The Department of Revenue is not an impersonal bureaucracy collecting taxes and distributing local aid. It is 2,100 people employed in and committed to public service — and doing a better and better job for the taxpayers who pay their salaries. Those same DOR employees also show their concern for the community in a number of ways beyond their basic duties. The Revenue Department has long been a leader in the annual United Way/COMEC campaign. Because of that leadership, the Department was named a Pacesetter Organization in the fall of 1984. A total of $39,066 — 11% more than the year before — was collected from the 1,296 employees eligible to participate in the Boston, Cambridge, Salem and Westborough offices. The participation rate of 84% was double the average for other State agencies (and put many groups of better-paid private-sector employees to shame).

The Revenue Department is also a leader in the State Employees Blood Drive conducted at Massachusetts General Hospital in Boston and the University of Massachusetts Medical Center in Worcester. In Fiscal 1985 DOR personnel gave 603 pints of blood, up 4% over the previous year. There were 52 5-times-a-year donors, 15% more than in Fiscal 1984. When doctors at the two hospitals need blood in emergencies, they know that any call for help will be answered by the Department of Revenue.

# DOR's Legislative Recommendations

Fiscal 1985 brought the filing of the most comprehensive Legislative package in the Department's history — 39 separate proposals to strengthen DOR's organization, to fortify its powers to pursue tax delinquents and evaders, and to expand its services to cities and towns.

The package was led by a series of proposals to write into law some of the recommendations of the Governor's Advisory Task Force on the Revenue Department, which made its report in July, 1983. A statutory preamble would firmly establish "the paramount importance of the promotion of public trust and confidence in administering tax laws with integrity, impartiality and equality." In line with that goal, the bill also proposed putting into law one of the key changes in the Department's organization already adopted administratively. That is the permanent establishment of the Division of Inspectional Services, which monitors both employee integrity and Departmental systems.

Also provided was an update of Massachusetts tax law to conform to the Internal Revenue Code as of January 1, 1985. This would allow the Department to adopt many of the 1984 federal tax changes affecting the tax treatment of alimony, depreciation on real estate, the computation of long-term capital gains and the deductibility of certain business expenses. That would simplify taxpaying for much of the public.

Under the proposal, however, there would still be two major Massachusetts exemptions to the federal code. Social Security benefits would remain untaxed, and there would continue to be an exclusion for certain disability income. A related bill would correct the inequities that currently exist in the computation of capital gains resulting from the differences between Massachusetts and federal tax provisions.

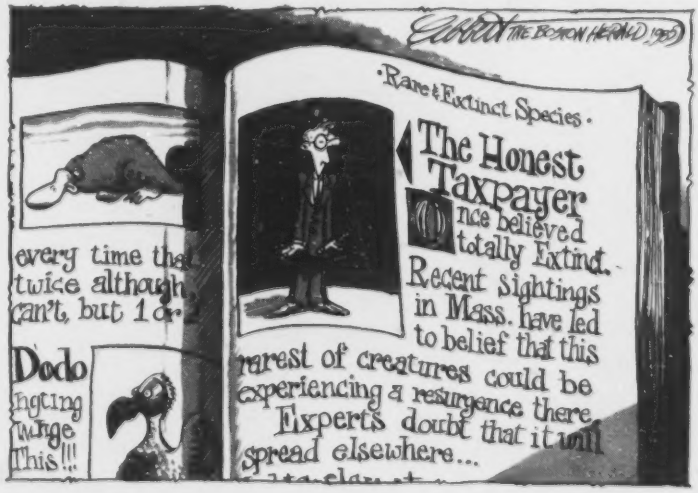
Two other proposals would reduce work for lower income taxpayers. At present anyone with income over $2,000 still has to file an income tax return, even though he or she may have no tax liability. The Department proposed that the filing requirement go up with the rising minimum tax levels, which reached $4,400 for tax year 1985 and will go to $5,000 in 1986. Approximately 200,000 taxpayers would not be required to file as a result of this change. Thresholds would also be raised for the required filing of declarations of estimated taxes and the quarterly payment of such taxes.

For the benefit of corporate taxpayers, the Department sought to have state law follow federal practice and provide for an automatic extension of six months in the filing of returns. The present limit is three months. In 1984 the Department took administrative action to allow a four-month extension for individual taxpayers, also to bring such time periods in line with federal practice. The change in the corporate filing limit, however, requires a change in the statute.

Thirteen of the individual bills in the package continued, refined or built on the successful Revenue Enforcement and Protection (REAP) Program, passed in 1983. One of them was designed to make permanent two of the new collection tools granted the Department on a two-year trial basis. Those are the use of private collection agencies to take over older and smaller delinquency cases and the authority to accept offers in final settlement of tax accounts where serious doubt exists as to collectibility or liability.

Another of the provisions in the enforcement area would correct existing ambiguities in the law regarding the personal liability of corporate officials for unpaid state taxes of their corporations.

The Department also asked to be allowed to utilize for tax administration wage information filed by Massachusetts employers. Use of the wage-reporting data, though compiled by the Revenue Depatment has been restricted to checking by other agencies on eligibility for various State benefit-assistance programs. Under the proposed legislation, the information could also be

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used by DOR for comparing employer and taxpayer reports of wages, as well as for locating tax delinquents.

In the area of Local Services, the Department sought authorization for the Bureau of Accounts, where appropriate, to provide its technical expertise to city and town governments on a no-cost or partial reimbursement basis as part of an expanded effort to provide fiscal and financial services to communities. Another proposal in that area seeks legislative authorization for the continuing operation of a Computer Assisted Mass Appraisal, or CAMA system, to help communities maintain their full or fair cash value assessment at minimum cost.

At the end of the fiscal year on June 30, all parts of the package had won initial Legislative Committee approval, in whole or in part, and were awaiting further action by the two branches.

One recommendation, relating to local government stabilization funds, was passed and signed into law as Chapter 94 of the Acts of 1985. In the past local stabilization funds could only be approved at annual town and district meetings. Under the new statute, such action can also be taken at special meetings.

## Three 1984 Tax-Law Changes

The fiscal year also brought enactment of three other significant tax-law changes, all passed in the final days of the 1984 session.

- The sales and use tax exemption for the sale or rental of medical equipment was expanded to include a number of physician-prescribed items not previously covered.
- The method of taxing Massachusetts thrift institutions was changed. For taxable years starting on or after October 31, 1984, state and federal savings banks, cooperative banks and savings and loan associations will pay the same type of corporate excise as commercial banks. Under the new law, thrift institutions are subject to a tax of 12.54% on their taxable net income. The deposits measure of their excise was repealed, and a single annual return replaced semi-annual filings.
- The definition of a lodging house was amended to conform to that provided for local licensing purposes. That reduced the minumum number of rentals which must be covered by the tax from five to four persons. At the same time the law increased from $2 to $15 the minimum daily room rental for the excise to apply.

Other recommendations in the Department's 1985 package, which are all more fully explained in House Bill 290, fell into the following four major categories:

### Strengthening Revenue Enforcement

- Revision of the provisions for the classification of corporations subject to the corporation excise.
- Clarification of the provisions relating to the disclosure of tax return information.
- Strengthening of penalties for failure to file a timely return.
- Prohibition upon suits to restrain the assessment or collection of a state tax.
- Imposition of a penalty for failure to make deposit of certain taxes.
- Revision of the lien and levy provisions applicable to state taxes.
- Limitation on the use of the corporation excise investment tax credit to the corporation actually making the investment.
- Strengthening enforcement and administration of the special fuels excise.
- Clarification of certain provisions of the estate tax applicable to non-residents.
- Restriction of deductions under the estate tax to those paid or accrued within three years of the return due date.
- Collection of delinquent taxes from certain corporations.

### Improving Services to Taxpayers/Encouraging Compliance

- Refund of overpayments determined after certain taxpayer audits.
- Authorization for the Commissioner of Revenue to correct errors in tax assessments or payments and to resolve multiple refund claimant disputes.
- Elimination of the limitation upon abatement of taxes where a late return is filed.
- Reduction of the statute of limitations for the collection of state taxes.
- Changes in reporting requirements and uses of the wage reporting and bank match systems.
- Repeal of the currently obsolete separate income tax on corporations engaged exclusively in interstate commerce.
- Update of the computation of reimbursement amount of fuel taxes on account of turnpike use.
- Allowance for a refund of sales tax on certain returned merchandise.

### Increasing Management Authority and Flexibility

- Increase in the amount of small tax balances that the Commissioner of Revenue may abate.

### Supporting Local Government Finance

- Authorization for cities, towns and districts to enter into certain agreements with banking institutions.
- Clarification of the real estate exemption granted to certain paraplegic veterans and their surviving spouses.
- Clarification of the definition of "population" used in certain distribution and assessment provisions.
- Corrective changes in certain local tax laws.
- Taxation of agricultural and horticultural land.

# Charts & Graphs

## The Taxes

Fiscal Year 1985

| TYPE OF TAX | MEASURE | RATE | RETURN DUE |
|---|---|---|---|
| **Personal Income** | Dividends, Capital Gains[1] & Interest other than Mass. bank interest. | 10.75% | On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings. |
| | Other Income | 5.375% | |
| **Estimated Tax** | | | Due quarterly on or before the 15th day of April, June, September and January. |
| **Estate** (replaced Inheritance for deaths on or after January 1, 1976) | Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions) | 5% to 16% | Within 9 months after the date of the decedent's death. |
| **Alcoholic Beverages** | Malt (31-gal. bbl.) | $3.30 | Monthly, on or before the 20th day of the month. |
| | Cider 3%-6% (wine gal.) | $ .03 | |
| | Still wine 3%-6% (wine gal.) | $ .55 | |
| | Sparkling wine (wine gal.) | $ .70 | |
| | Alcoholic beverages 15% or less (wine gal.) | $1.10 | |
| | Alcoholic beverages more than 15%-50% (wine gal.) | $4.05 | |
| | Alcoholic beverages more than 50% (proof gal.) | $4.05 | |
| **Cigarettes** | 20-Count package | $ .26 | Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition. |
| **Deeds** | Sales price (less mortgage assumed) of real estate | $1.14 per $500 | Monthly, on or before the 10th day of the month. |
| **Motor Fuels** | Gasoline and Diesel Fuel per gallon[2] | 10% | Monthly, on or before the 20th day of the month. |
| | Propane, Liquified Gas, etc. | 10% | |
| **Room Occupancy** | Transient Room Occupancy | 5.7% | On or before the 20th day following the close of the tax period. **If annual liability:** Up to $25,000 - Monthly filings Over $25,000 - Monthly payments, Quarterly filings |
| **Sales and Use Tax** | Sale, rental or use of tangible personal property | 5% | On or before the 20th day following the close of the tax period. **If annual liability:** $100 - Annual filing $101 - 1,200 - Quarterly filings $1,201 - 25,000 - Monthly filings Over $25,000 - Monthly payments, Quarterly filings |

1 While capital gains are taxed at 10.75%, taxpayers can deduct 50% of net long-term capital gains, creating an effective tax rate of 5.375%.

2 Rate is 10% average of wholesale price, with an 11¢ floor.

## The Taxes (continued)

| TYPE OF TAX | MEASURE | RATE | RETURN DUE |
|---|---|---|---|
| **Sales Tax on Meals, Prepared Food and/or Alcoholic Beverages** | All "restaurant" food and on-premise consumption of alcoholic beverages in any amount. | 5% | On or before the 20th day following the close of the tax period.<br>**If annual liability**<br>Up to $25,000 - Monthly filings<br>Over $25,000 - Monthly payments, Quarterly filings |
| **Business Corporation** | Net Income<br>Tangible Property or Net Worth<br>Minimum | 9.5%<br>$2.60 per $1,000<br>$228 | 15th day of third month after close of taxable year. |
| **Estimated Tax** | | | Due quarterly as follows:<br>15th day of third month of taxable year-30%<br>15th day of sixth month of taxable year-25%<br>15th day of ninth month of taxable year-25%<br>15th day of twelfth month of taxable year-20% |
| **Security Corporation** | | | |
| Regulated | Gross Income | 0.33% | Same as business corporations. |
| Unregulated | Gross Income<br>Minimum | 1.32%<br>$228 | |
| **Commercial Bank and Savings Institution**[3] | Net Income | 12.54% | Same as business corporations. |
| **Public Utilities** | Net Income | 6.5% | Same as business corporations. |
| **Insurance Company** | | | |
| Domestic Life | Annuity Considerations<br>Other Premiums<br>Gross Investment Income | 2.28%<br>3.2%<br>1.0% | On or before March 15. |
| Foreign Life | Premiums | 2.0% | |
| **Domestic Casualty** | Premiums<br>Gross Investment Income | 2.28%<br>1.0% | On or before March 15. |
| **Foreign Casualty** | Premiums | 2.28% | |
| **Ocean Marine** | Underwriting Profit | 5.7% | On or before May 15. |
| **Club Alcoholic Beverages** | Gross Receipts | 0.57% | On or before April 15. |
| **Motor Vehicle** garaged outside Massachusetts | 90% to 10% of Manufacturer's list price | $25 per $1,000 | On or before thirty days from Notice of Tax.[4] |

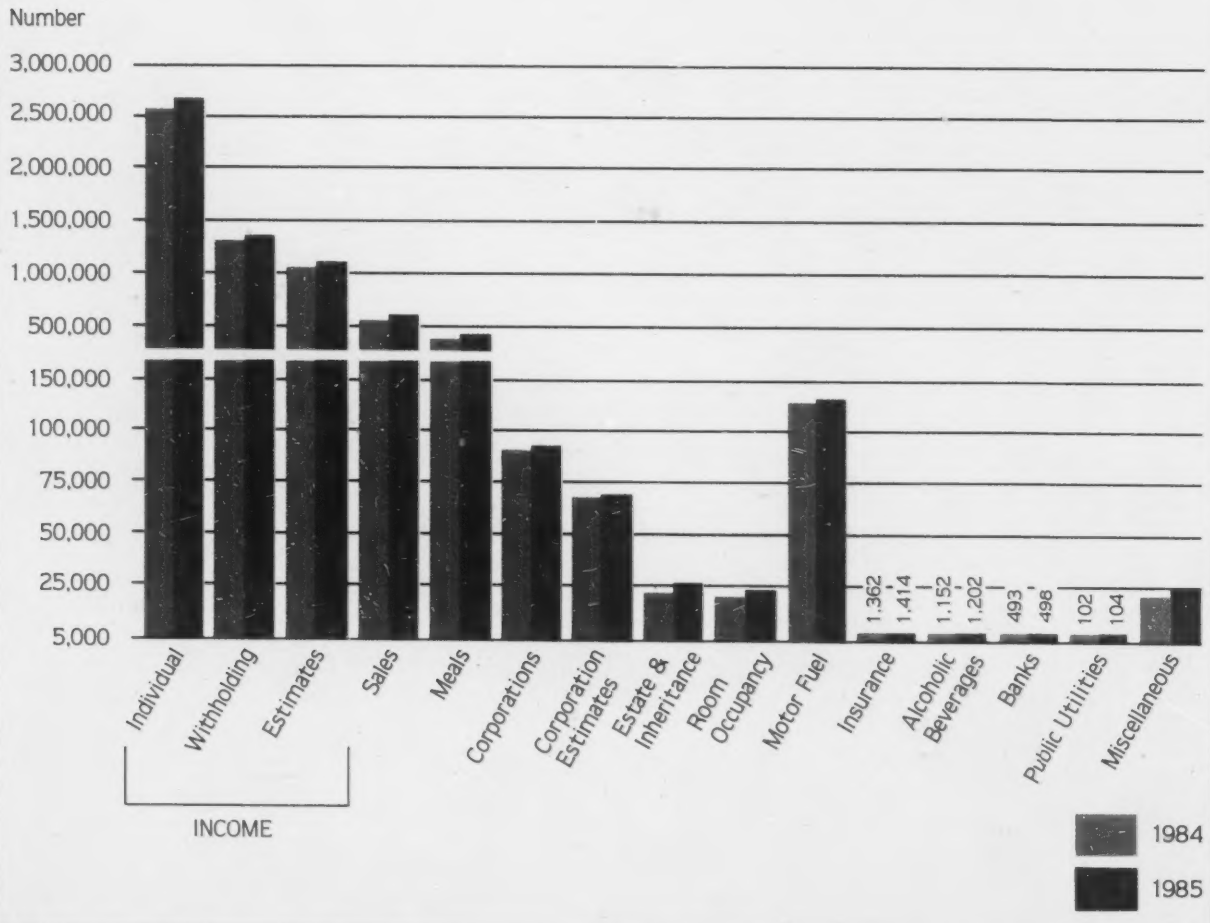
3 Changed from deposits and different net income starting 10/31/84 (1984 Acts, C. 485).

4 Changes from sixty days starting 1/1/85 (1984 Acts, C. 33).

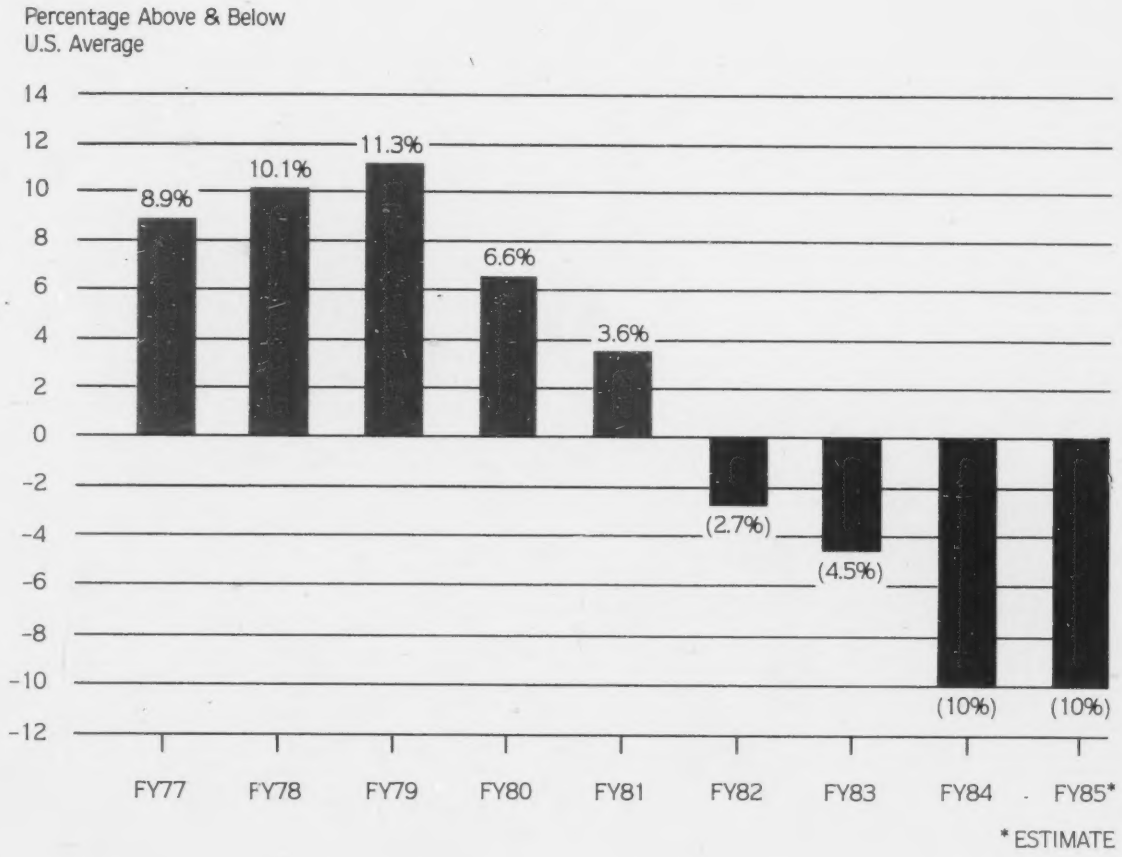
## Number of Tax Returns Filed by Type of Tax or Excise

Calendar Years 1984 and 1985

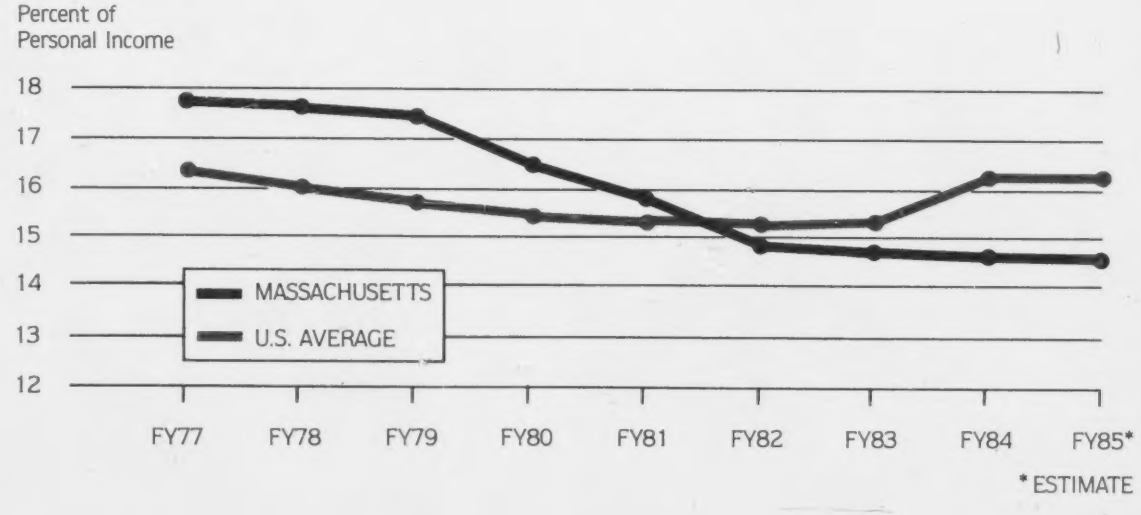
| TAX OR EXCISE | 1984 | 1985 |
|---|---|---|
| Income: | | |
| Individual, Fiduciaries, Partnerships | 2,769,277 | 2,844,621 |
| Withholding | 1,348,224 | 1,362,550 |
| Estimates | 1,180,000 | 1,201,569 |
| Sales | 594,240 | 598,254 |
| Meals | 248,332 | 250,422 |
| Corporations | 94,348 | 98,355 |
| Corporation Estimates | 68,992 | 71,448 |
| Estate and Inheritance | 27,995 | 25,809 |
| Room Occupancy | 23,172 | 24,621 |
| Motor Fuel | 137,536 | 138,449 |
| Insurance | 1,362 | 1,414 |
| Alcoholic Beverages | 1,152 | 1,202 |
| Banks | 493 | 498 |
| Public Utilities | 102 | 104 |
| Miscellaneous | 23,000 | 25,622 |
| **TOTAL** | 6,518,225 | 6,644,938 |



## Mass. State and Local Revenue Burden




Massachusetts vs. U.S. Average



## Net State Tax Collections

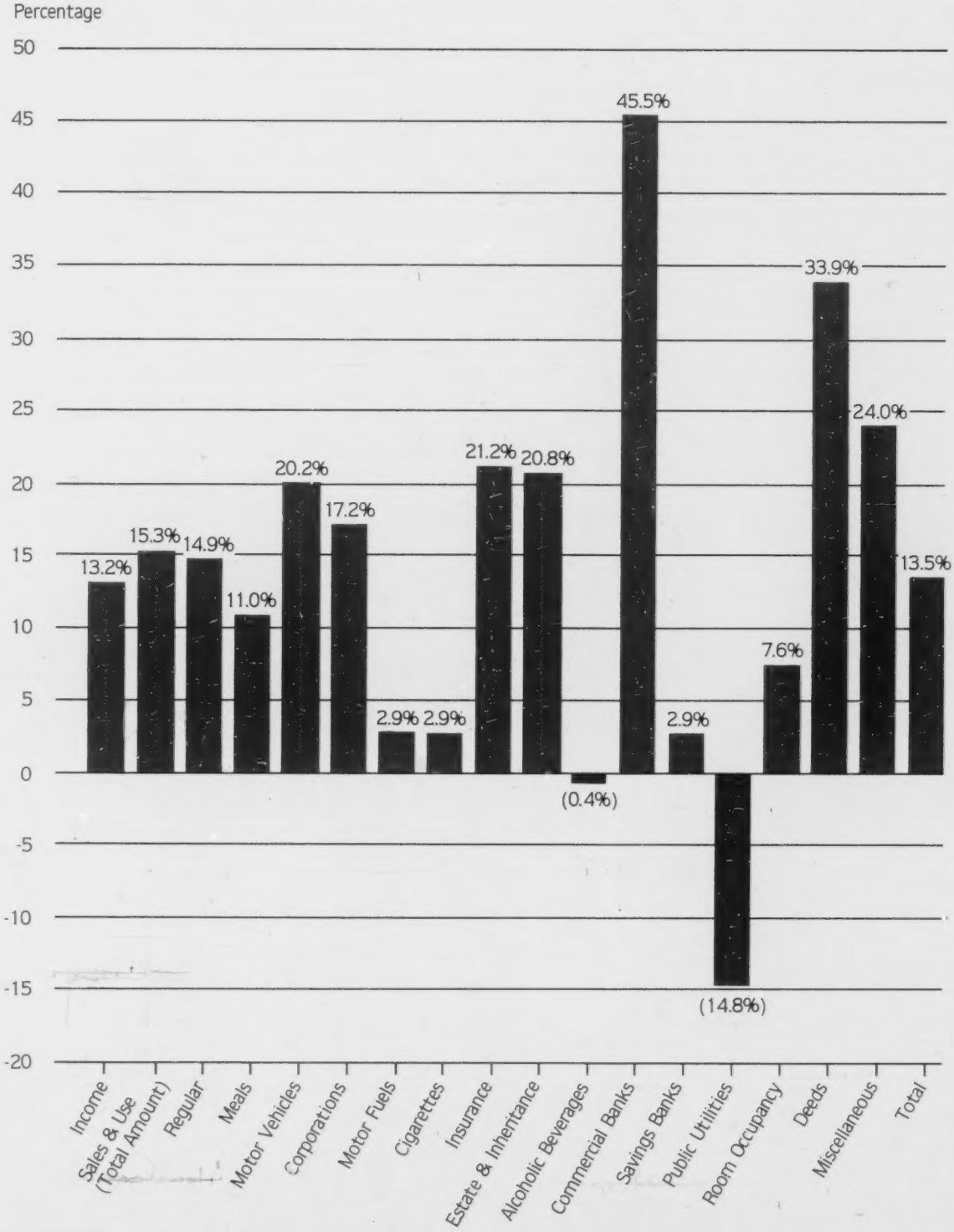
(in Thousands)

| TAX or EXCISE | FY82 | FY83 | FY84 | FY85 | % Change |
|---|---|---|---|---|---|
| **Alcoholic Beverage** | $ 84,447 | $ 82,278 | $ 83,524 | $ 83,195 | (0.4) |
| **Commercial Banks** | 29,385 | 66,358 | 67,247 | 97,812 | 45.4 |
| **Savings Banks** | 40,819 | 47,622 | 39,351 | 40,507 | 2.9 |
| **Cigarettes** | 145,357 | 142,912 | 169,912 | 174,793 | 2.9 |
| **Corporations** | 498,055 | 506,113 | 569,265 | 667,432 | 17.2 |
| **Deeds** | 12,492 | 13,709 | 22,318 | 29,874 | 33.9 |
| **Estate & Inheritance** | 99,355 | 111,850 | 127,140 | 153,602 | 20.8 |
| **Income:** | | | | | |
| Estimated Payments | 398,518 | 416,331 | 431,429 | 542,345 | 25.7 |
| Withholding | 1,924,770 | 2,073,601 | 2,316,370 | 2,555,090 | 10.3 |
| Returns & Bills | 263,203 | 268,631 | 350,856 | 394,118 | 12.3 |
| Subtotal | 2,586,491 | 2,758,563 | 3,098,655 | 3,491,553 | 12.7 |
| Less Refunds & Abatements | 262,433 | 286,300 | 308,544 | 332,555 | 7.8 |
| Subtotal Income | 2,324,058 | 2,472,263 | 2,790,111 | 3,158,998 | 13.2 |
| **Insurance** | 122,218 | 134,875 | 135,009 | 163,684 | 21.2 |
| **Motor Fuels** | 269,239 | 250,425 | 275,003 | 283,062 | 2.9 |
| **Public Utilities** | 30,077 | 40,482 | 53,503 | 45,589 | (14.8) |
| **Room Occupancy** | 24,290 | 26,220 | 29,608 | 31,869 | 7.6 |
| **Sales & Use:** | | | | | |
| Regular | 607,544 | 682,879 | 808,273 | 928,800 | 14.9 |
| Meals | 164,213 | 186,420 | 206,264 | 228,956 | 11.0 |
| Motor Vehicle | 145,603 | 182,413 | 233,524 | 280,723 | 20.2 |
| Subtotal Sales | 917,360 | 1,051,712 | 1,248,062 | 1,438,479 | 15.3 |
| **Miscellaneous:** | | | | | |
| Club Alcoholic Bev. | 612 (a) | 431 | 238 | 350 | 47.1 |
| Motor Vehicle | 318 | 422 | 487 | 549 | 12.7 |
| Subtotal Miscellaneous | 930 | 853 | 725 | 899 | 24.0 |
| **TOTAL** | $4,598,081 | $4,947,672 | $5,610,778 | $6,369,795 | 13.5 |

a) Includes adjustments for prior years (Chapter 21 of the Acts of 1983).

## Net State Tax Collections

Percent Change from Fiscal Years 1984 to 1985



## Net State Tax Collections By Fund

(in Thousands)

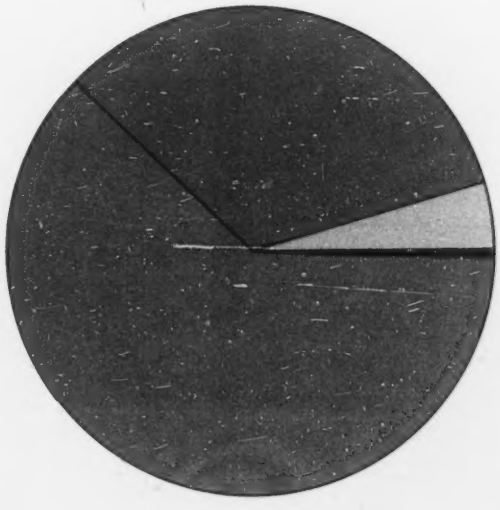
| FUND | FY82 | FY83 | FY84 | FY85 | % Change |
|---|---|---|---|---|---|
| General | $2,835,810 | $3,085,639 | $3,497,862 | $3,984,057 | 13.9 |
| Local Aid | 1,495,789 | 1,612,051 | 1,842,975 | 2,107,961 | 14.4 |
| Highway | 266,109 | 249,367 | 269,565 | 277,393 | 2.9 |
| Other | 372 | 345 | 374 | 385 | 2.9 |
| **TOTALS** | $4,598,081 | $4,947,672 | $5,610,777 | $6,369,786 | 13.5 |

The **General Fund** includes 60% of the corporations, personal income and sales taxes (including meals and motor vehicles), plus 100% of all other taxes listed in the Net State Tax Collections Table.

The **Local Aid Fund** consists of 40% of the corporations, personal income and sales taxes (including meals and motor vehicles). The LAF provides financial assistance to the 351 cities and towns and regional school districts.

The **Highway Fund** derives its money from taxes on motor fuels, motor carriers and a 5¢ cigarette tax.

**Other** includes the **Inland Fish and Game Fund** which is financed by a small portion of the State gasoline tax.

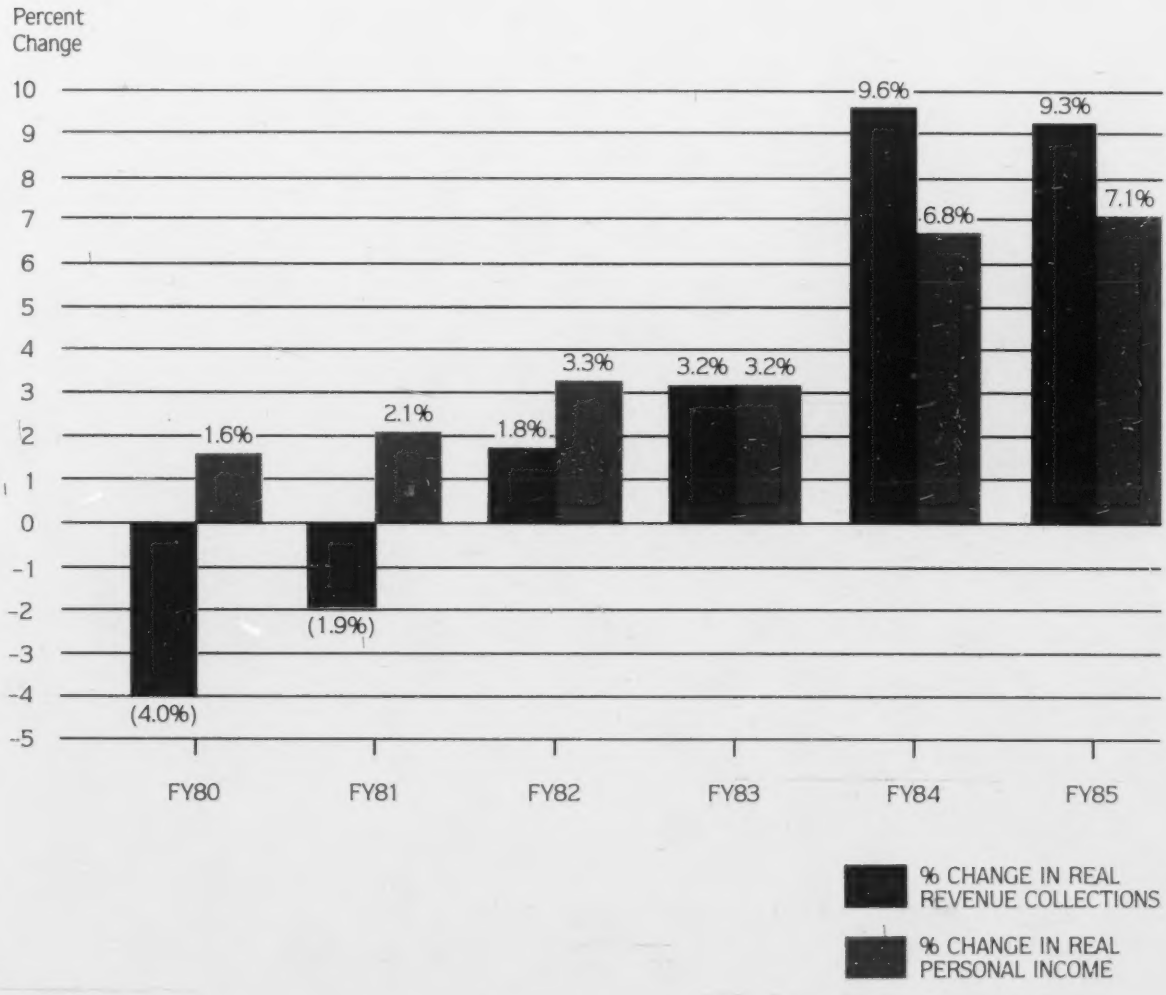


## State Revenue Collections

(in Billions)

| Fiscal Year | Current Dollars | % Change from Previous Year | Constant Dollars | % Change from Previous Year |
|---|---|---|---|---|
| 1980 | $3.796 | 8.8 | $1.633 | (4.0) |
| 1981 | $4.156 | 9.5 | $1.602 | (1.9) |
| 1982 | $4.598 | 10.6 | $1.631 | 1.8 |
| 1983 | $4.948 | 7.6 | $1.682 | 3.2 |
| 1984 | $5.611 | 13.4 | $1.840 | 9.4 |
| 1985 | $6.370 | 13.5 | $2.011 | 9.3 |

NOTE: Numbers are expressed in real/constant dollars by adjusting for annual inflation rates (DRI & DOR).

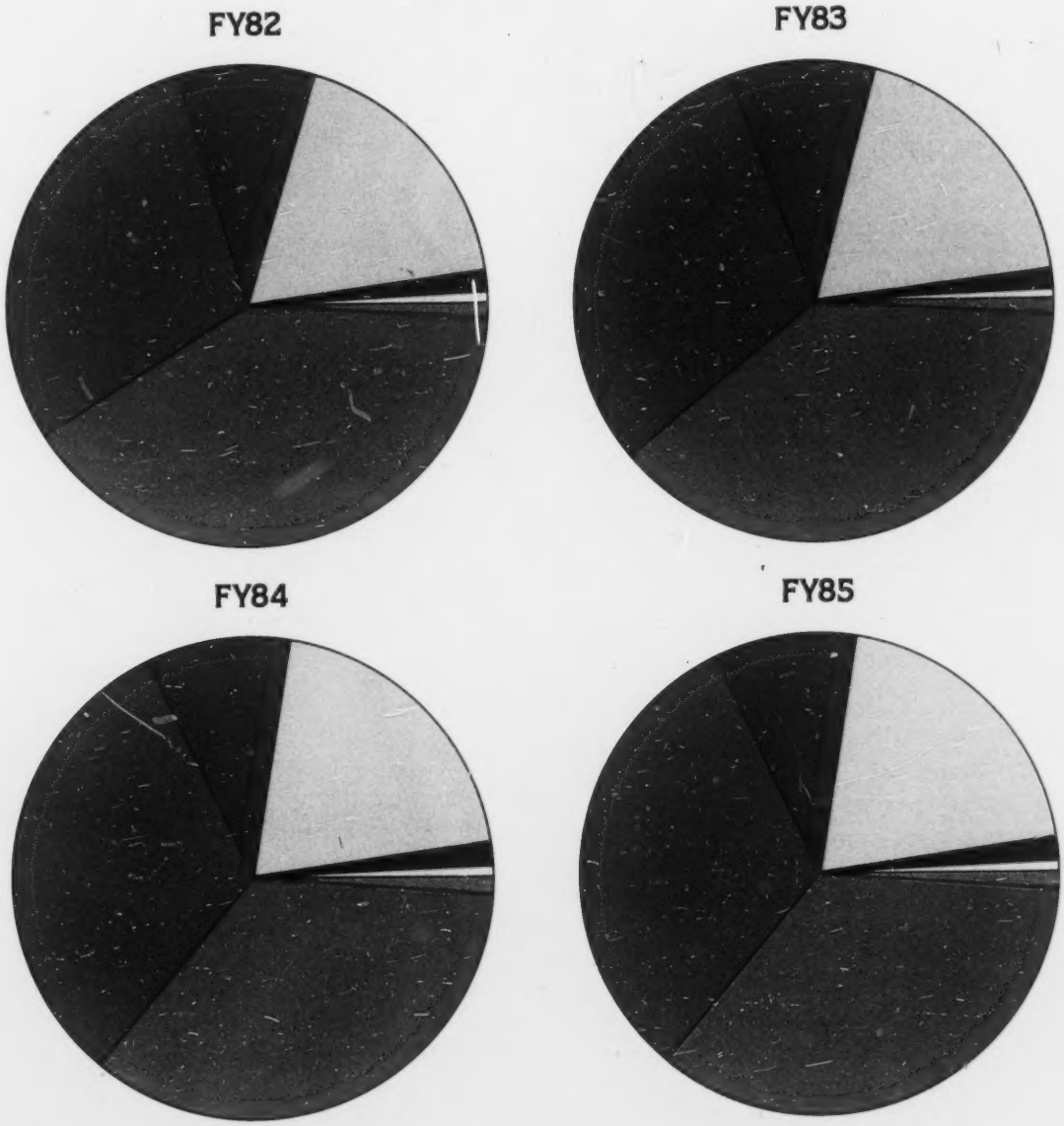


## Massachusetts State and Local Tax Revenue

| TAX SOURCE | FY82 | FY83 | FY84 | FY85 | % Change |
|---|---|---|---|---|---|
| **Taxes on Property (Local)** | | | | | |
| Real Estate | $2,811,708 | $2,750,099 | $2,810,593 | $2,913,354 * | 3.7 |
| Personal Property | 223,832 | 208,971 | 184,309 | 176,716 | (4.1) |
| Motor Vehicle | 118,311 | 148,722 | 150,305 | 203,176 | 35.2 |
| Totals | $3,153,851 | $3,107,792 | $3,145,207 | $3,293,246 | 4.7 |
| **Tax on Personal Income** | | | | | |
| Totals | $2,324,058 | $2,472,264 | $2,790,111 | $3,158,998 | 13.2 |
| **Taxes on Business** | | | | | |
| Corporations | $ 498,055 | $ 506,113 | $ 569,265 | $ 667,432 | 17.2 |
| Insurance Companies | 122,218 | 134,875 | 135,009 | 163,684 | 21.2 |
| Public Utilities | 30,077 | 40,482 | 53,503 | 45,589 | (14.8) |
| Commercial Banks | 29,385 | 66,358 | 67,247 | 97,812 | 45.6 |
| Savings Banks | 32,552 | 37,603 | 32,020 | 31,109 | (2.8) |
| Cooperative Banks & Savings and Loan Ass'ns | 8,267 | 10,018 | 7,331 | 9,398 | 28.2 |
| Totals | $ 720,544 | $ 795,449 | $ 864,375 | $1,015,024 | 17.4 |
| **Taxes on Commodities Sold** | | | | | |
| Motor Fuels | $ 269,239 | $ 250,425 | 275,003 | 283,062 | 2.9 |
| Cigarettes | 145,357 | 142,912 | 169,912 | 174,793 | 2.9 |
| Alcoholic Beverages | 84,447 | 82,278 | 83,524 | 83,195 | (0.4) |
| Sales & Use | 753,147 | 865,292 | 1,041,798 | 1,209,523 | 16.1 |
| Sales, Meals | 164,213 | 186,420 | 206,264 | 228,956 | 11.0 |
| Totals | $1,416,403 | $1,527,327 | $1,776,501 | $1,979,529 | 11.4 |
| **Tax on Estate & Inheritance** | | | | | |
| Totals | $ 99,355 | $ 111,850 | $ 127,140 | $ 153,602 | 20.8 |
| **Tax on Horse & Dog Racing** | | | | | |
| Totals | $ 33,271 | $ 35,422 | $ 36,828 | $ 36,033 | (2.2) |
| **Miscellaneous Taxes** | | | | | |
| Room Occupancy | $ 24,290 | $ 27,510 | $ 32,225 | $ 35,336 | 9.7 |
| Deeds Stamp | 12,492 | 15,397 | 25,030 | 34,708 | 38.7 |
| Beano | 4,982 | 5,277 | 5,376 | 5,375 | — |
| Club Alcoholic Beverage | 612 | 431 | 238 | 350 | 47.1 |
| Motor Vehicle | 318 | 422 | 487 | 549 | 12.7 |
| Raffles & Bazaars | 1,029 | 959 | 1,009 | 1,035 | 2.5 |
| Urban Redevelopment | 25,762 | 28,225 | 28,687 | 37,539 | 30.9 |
| Totals | $ 69,485 | $ 78,221 | $ 93,052 | $ 114,892 | 23.5 |
| **ALL TAXES** | | | | | |
| **TOTALS** | $7,816,977 | $8,128,304 | $8,883,214 | $9,751,324 | 10.4 |

Because of rounding, detail may not add to Totals.
* The DOR has estimated the collections for the purpose of this comparison.

## Massachusetts State and Local Tax Revenue




| Percentage of Total Revenue | FY82 | FY83 | FY84 | FY85 |
|---|---|---|---|---|
| Taxes on Property | 40.34% | 38.23% | 35.15% | 35.15% |
| Tax on Personal Income | 29.73% | 30.42% | 31.82% | 31.81% |
| Taxes on Business | 9.23% | 9.78% | 9.85% | 9.86% |
| Taxes on Commodities Sold | 18.11% | 18.79% | 20.26% | 20.25% |
| Tax on Estate & Inheritance | 1.27% | 1.38% | 1.45% | 1.45% |
| Tax on Horse & Dog Racing | .43% | .44% | .42% | .42% |
| Miscellaneous Taxes | .89% | .96% | 1.06% | 1.06% |

## Local Aid Receipts for Cities, Towns and Regional School Districts

(in Millions)

| ITEM<br>Receipts | FY82 | FY83 | FY84 | FY85 | $<br>Change |
|---|---|---|---|---|---|
| **CITIES AND TOWNS** | | | | | |
| REIMBURSEMENTS | | | | | |
| Loss of Taxes, 7 programs | $ 31.5 | $ 28.7 | $ 31.5 | $ 29.8 | $ (1.7) |
| Veterans' Benefits | 6.9 | 10.7 | 8.2 | 8.4 | 0.2 |
| Pensions to Retired Teachers | — | 20.5 | 21.3 | 20.1 | (1.2) |
| Urban Renewal, 2 programs | 3.3 | 1.6 | 1.6 | 1.7 | 0.1 |
| School Transportation, 5 programs | 55.3 | 60.7 | 58.1 | 53.3 | (4.8) |
| Public Libraries, 2 programs | 6.8 | 7.0 | 7.0 | 10.0 | 3.0 |
| School Construction and Repair | 90.2 | 87.0 | 79.2 | 89.4 | 10.2 |
| Racial Imbalance, 3 programs | 15.2 | 15.5 | 17.0 | 20.5 | 3.5 |
| School and Elderly Lunch | 4.3 | 5.4 | 5.2 | 5.3 | 0.1 |
| Highway and Transit, 2 programs | 21.0 | 21.0 | 21.0 | 21.0 | — |
| Residential School Costs | 6.0 | 5.9 | 6.2 | 6.4 | 0.2 |
| Other, 11 programs (6 in FY82, 8 in FY83 and 8 in FY84) | 9.0 | 13.6 | 15.4 | 31.9 | 16.5 |
| **Total Reimbursements** | $ 249.5 | $ 277.6 | $ 271.7 | $ 297.8 | $ 26.1 |
| DISTRIBUTIONS | | | | | |
| School Aid, Chapter 70, as amended (including prior year adjustments) | $ 640.4 | $ 639.4 | $ 759.9 | $ 881.2 | $121.3 |
| Lottery, Beano, etc. | 85.6 | 97.1 | 96.8 | 122.7 | 25.9 |
| Additional Assistance | 348.0 | 483.3 | 485.7 | 509.2 | 23.5 |
| Highway Fund | 24.0 | 23.7 | 23.5 | 21.2 | (2.3) |
| Urban Redevelopment Excise | 21.3 | 21.6 | 28.3 | 30.0 | 1.7 |
| Boston Funding Loan Act | — | 2.6 | 6.4 | 6.2 | (0.2) |
| **Total Distributions** | $1,119.3 | $1,267.7 | $1,400.6 | $1,570.5 | $169.9 |
| **TOTAL RECEIPTS-CITIES AND TOWNS** | $1,368.8 | $1,545.3 | $1,672.3 | $1,868.3 | $196.0 |
| **REGIONAL SCHOOL DISTRICTS** | | | | | |
| REIMBURSEMENTS | | | | | |
| Regional School District Aid | $ 42.7 | $ 45.8 | $ 47.6 | $ 62.4 | $ 14.8 |
| School Transportation | 16.9 | 15.6 | 21.9 | 23.0 | 1.1 |
| School Construction and Repair | 19.8 | 19.3 | 14.5 | 14.4 | (0.1) |
| Residential School Costs | 0.5 | 0.5 | 0.9 | 0.8 | (0.1) |
| Other, 5 programs | 3.5 | 3.5 | 3.8 | 2.6 | (1.2) |
| **Total Reimbursements** | $ 83.4 | $ 84.7 | $ 88.7 | $ 103.2 | $ 14.5 |
| DISTRIBUTIONS | | | | | |
| School Aid, Chapter 70, as amended (including prior year adjustments) | $ 76.1 | $ 76.9 | $ 100.2 | $ 101.2 | $ 1.0 |
| **Total Receipts-Regions** | $ 159.5 | $ 161.6 | $ 188.9 | $ 204.4 | $ 15.5 |
| **TOTAL DIRECT AID *** | $1,528.3 | $1,706.9 | $1,861.2 | $2,072.7 | $211.5 |
| **INDIRECT LOCAL AID **** | $ 353.6 | $ 364.8 | $ 428.5 | $ 497.7 | $ 69.2 |
| **TOTAL AID** | | | | | |
| Cities, Towns, Regional School Districts & Locally Related | $1,881.9 | $2,071.7 | $2,289.7 | $2,570.4 | $280.7 |

* "Total Direct Aid" figures for FY82 through FY84 are actual payments for Cherry Sheet programs; FY85 figures are Cherry Sheet estimates.

** "Indirect Local Aid" figures are provided by the Budget Bureau.

## DOR's PRACTITIONER LIAISON COMMITTEE

**Melvin Alter, CPA**
Representing:
MA Association of Attorney-Certified Public Accountants

**Larry Bedrosian, CPA**
Ernst & Whinney

**Michael Brockelman, CPA**
Bowditch & Dewey
Representing:
Worcester County Bar Association

**Samuel B. Bruskin, Esq.**
Choate, Hall & Stewart

**Pauline Contos**
Pannell, Kerr & Forster
Representing:
MA Society of Certified Public Accountants

**John Daszkiewicz, CPA**
Kostey & Daszkiewicz
Representing:
MA Society of Certified Public Accountants

**Robin S. Finn, CPA**
Feeley & Driscoll, PC
Representing:
MA Society of Certified Public Accountants

**John Foppiano**
Price Waterhouse
Representing:
MA Taxpayers Foundation

**Marion Fremont-Smith, Esq.**
Choate, Hall & Stewart

**John J. Hart, Vice-President**
Corporate Tax Division
Bank of New England Corporation
Representing:
MA Bankers Association

**Robert Haddad, Tax Partner**
Price Waterhouse

**Frederick Herberich, Esq.**
Gaston Snow & Ely Bartlett
Representing:
Federal Practitioner Liaison Committee, Chairman

**Dennis Herman, CPA**
Herman & Herman
Representing:
MA Society of Certified Public Accountants

**Elaine Holska, Director**
State & Local Tax Practice
Arthur Young & Company

**Peter Hukki**
Accounting Administrator
John Hancock Companies
Representing:
Nat'l. Society of Enrolled Agents

**Charles L. Hutchinson, CPA, MST**
Beers & Company, Inc.
Representing:
MA Association of Public Accountants

**Donald Johnson**
Tax Man

**Bruce Kurtz**
Ziner & Company

**Professor Paul McDaniel**
Boston College Law School
Representing:
MA Bar Association - Taxation Section

**Patricia Ann Metzer, Esq.**
Goulston & Storrs
Representing:
Boston Bar Association

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H & R Block

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Representing:
MA Society of Enrolled Agents

**Lawrence Ober, CPA**
Representing:
MA Society of Enrolled Agents

**Jerome A. Packer**
Roche, Carens & DiGiacomo
Representing:
Boston Bar Association - Taxation Section

**Donald Rotfort**
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Babson College
Representing:
MA Bar Association

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SBANE

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Ernst & Whinney

**Frank Wolpe, Director**
Graduate Program in Taxation
Bentley College

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